

LEGISLATIVE FISCAL REPORT 2007 BIENNIUM

Volume 4 - Agency Budgets

Introduction

Natural Resources and Commerce

Corrections and Public Safety

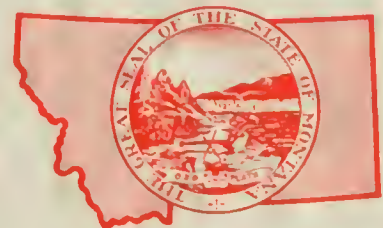
Education

Long-Range Planning



June 2005

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LEGISLATIVE BUDGET ANALYSIS

2007 Biennium

Volume 4

Presented to the Fifty-ninth Legislature

Submitted by
The Legislative Fiscal Division

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APPROPRIATIONS BY
AGENCY AND PROGRAM
— INTRODUCTION —



AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

Legislative Branch
Consumer Counsel
Judiciary
Governor's Office
Secretary of State
Commissioner of Political Practices
State Auditor
Transportation
Revenue
Administration
Consensus Council
Appellate Defender Commission
Montana Consensus Council
Office of the Public Defender

HEALTH AND HUMAN SERVICES (Section B)

Public Health and Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

Fish, Wildlife, and Parks
Environmental Quality
Livestock
Natural Resources and Conservation
Agriculture
Commerce

CORRECTIONS AND PUBLIC SAFETY (Section D)

Crime Control Division
Justice

CORRECTIONS AND PUBLIC SAFETY (continued)

Public Service Regulation
Corrections
Labor and Industry
Military Affairs

EDUCATION (Section E)

Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Commissioner of Higher Education
Community Colleges
University Units and College of Technology
Agricultural Experiment Station
Extension Service
Forestry and Conservation Experiment Station
Bureau of Mines & Geology
Fire Services Training School
Montana Arts Council
State Library Commission
Montana Historical Society

LONG-RANGE PLANNING (Section F)

Long-Range Building Program
State Building Energy Conservation
Treasure State Endowment Program
Treasure State Endowment Regional Water System
Renewable Resource Grant & Loan Program
Reclamation & Development Grant Program
Cultural and Aesthetic Grant Program

APPROPRIATIONS BY AGENCY AND PROGRAM (ROAD MAP)

This summary of the layout and composition of the “Appropriations by Agency and Program” section is designed to provide the reader with a “road map” for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

BUDGET TIERS

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

1. Base budget, which is defined as “that level of funding authorized by the previous legislature”.
2. Present law budget, defined as “that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature”.
3. New proposals, which are “requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding...”.

(For a further explanation of these tiers and how they are derived, see page 1 of the “Reference” section in Volume 1, or the publication entitled “Understanding State Finances and the Budgeting Process”, available through the Legislative Fiscal Division and on the Internet at <http://leg.state.mt.us/css/fiscal/reports.asp>)

The fiscal report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2007 biennium agency budget.

COMPONENTS OF THE FISCAL REPORT

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative.
2. The program narrative.

Agency Narrative

The agency narrative provides an overview of appropriations for the agency. Since the legislature appropriates at the program level, only discussion pertinent to the agency as a whole is included in this section. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the appropriation by year, including separate columns showing present law adjustments and new proposals. The reader can use this table to not only get a general idea of the size and funding of the agency, but also view any changes made.
2. **Agency Description** is a brief description of the agency.
3. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
4. **Summary of Legislative Action** provides additional information or overarching discussion.
5. **Agency Discussion** is used to discuss overarching issues or action of the legislature.
6. **Funding** is a table that shows the total biennium funding, by program and fund type. A further discussion of the individual fund types is included in the program narrative.
7. **Other Legislation** lists and discusses legislation having a fiscal impact on the agency.
8. **Executive Budget Comparison** is a table and related discussion that compares the proposed executive budget (as published by the Schweitzer administration on January 7) and final legislative action, and highlights the major differences.
9. **Reorganizations** details any major reorganization that took place in the 2005 biennium or is reflected in the 2007 biennium.
10. **Language** includes any agency-wide language adopted by the legislature.

Note: The main and executive budget comparison tables, the agency description and summary of legislative action, and the highlights and funding tables are included in each agency narrative. However, the other components are included only if circumstances warrant.

Program Narrative

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including the adjusted fiscal 2004 base used to derive the budget, the total present law adjustments, new proposals, and the total budget, by fiscal year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst.

5. **Funding** details program funding, including a brief description of the various types of funding used to support the program.
6. **Program Reorganization** details any program reorganizations that took place in the 2005 biennium or that were adopted by the legislature for the 2007 biennium.
7. The **Present Law Adjustments Table** delineates the major present law adjustments adopted by the legislature, by fiscal year and funding source. The table is divided into two sections:
 - Statewide present law adjustments, which include most personal services adjustments, the vacancy savings applied, and adjustments due to fixed costs and inflation
 - Other present law adjustments adopted by the legislature
8. **Executive Present Law Adjustments** discusses each adjustment in more detail.
9. The **New Proposals Table** shows each new proposal adopted by the legislature, by fiscal year and funding source.
10. **New Proposals** discusses each new proposal in more detail.
11. **Other Legislation** lists any legislation passed by the legislature of particular pertinence to the program.
12. **Language** recreates any program specific language adopted by the legislature.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate.

STATEWIDE PRESENT LAW ADJUSTMENTS

“Statewide Present Law Adjustments” are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. There are four main categories of adjustments: 1) personal services; 2) vacancy savings; 3) inflation/deflation; and 4) fixed costs.

Personal Services

Taking a “snapshot” of state employee positions and the factors determining compensation rates at a particular point in time derives budgeted personal services costs. A number of underlying factors will make the 2007 biennium personal services costs different from actual fiscal 2004 costs. The most important are:

- Incorporation of the 2005 biennium pay plan adopted by the 2003 Legislature (the 2007 biennium pay plan is added in a new proposal)
- Full funding of all positions
- Elimination of all termination pay that may have been incurred in FY 2004
- Incorporation of any upgrades or downgrades that occurred in FY 2004

In addition, some present law increases or decreases in FTE made by the previous legislature may be included in this portion of the table.

Vacancy Savings

The legislature adopted a 4 percent vacancy savings rate on all salaries and benefits, including insurance, for most positions. Exempted positions include university system faculty, and those in agencies with fewer than 20 full-time equivalent positions, the Judiciary, and the Legislative Branch. In addition, two programs within the Montana School for the Deaf and Blind were exempted.

Inflation/Deflation

The legislature inflated or deflated certain operating expenses. A complete listing of expenditure categories inflated or deflated has been included in the "Reference" section of Volume 1.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations are made through a change to the service agency budget, or to the allocation method used by the service agency. A complete listing of all fixed costs is included in the "Reference" section of Volume 1.

AGENCY BUDGET HIGHLIGHTS

The following summarizes the main budget highlights of the 2007 biennium budget. Please note that the following discussion pertains to HB 2 and HB 447 (pay plan bill) expenditures only. These two bills appropriate over 88.8 percent of all general fund in the 2007 biennium.

As shown, the legislature adopted a general fund budget of \$2.6 billion, a \$342.7 million increase (14.9 percent) over the 2005 biennium, and a total funds budget of \$7.0 billion, an \$831.6 million increase (13.4 percent).

| Legislative Budget by Program Area 2005 to 2007 Biennium | | | | |
|---|------------------------|-----------------------|---------------------|------------------------|
| --- General Fund --- | | | | |
| Component | Legislative Budget | Increase Over 2005 | Percent Increase | Percent of Increase |
| K-12 Education | \$1,115,460,655 | \$86,483,151 | 8.4% | 25.2% |
| Higher Education | 314,315,075 | 36,329,071 | 13.1% | 10.6% |
| Corrections | 244,693,798 | 34,045,811 | 16.2% | 9.9% |
| Human Services | 624,553,985 | 104,042,786 | 20.0% | 30.4% |
| All Other Government Agencies | 341,440,413 | 81,839,922 | 31.5% | 23.9% |
| Total | \$2,640,463,926 | \$342,740,741 | 14.9% | |
| --- Total Funds --- | | | | |
| Component | Legislative Budget | Increase Over 2005 | Percent Increase | Percent of Increase |
| K-12 Education | \$1,415,916,924 | \$106,751,386 | 8.2% | 12.8% |
| Higher Education | 435,373,210 | 43,868,823 | 11.2% | 5.3% |
| Corrections | 252,228,747 | 35,155,264 | 16.2% | 4.2% |
| Human Services | 2,736,632,805 | 501,832,784 | 22.5% | 60.3% |
| All Other Government Agencies | 2,196,784,984 | 144,013,783 | 7.0% | 17.3% |
| Total | \$7,036,936,670 | \$831,622,040 | 13.4% | |

PRIMARY BUDGET FACTORS

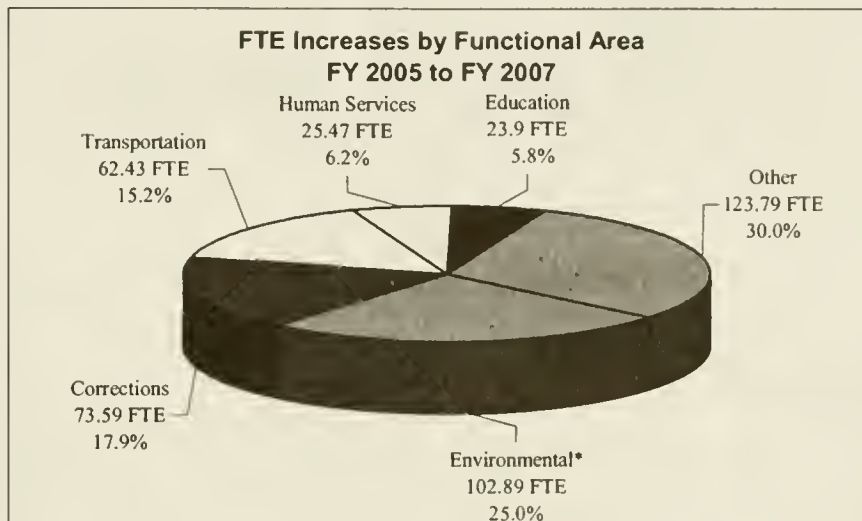
The following summarizes the primary factors causing the change in funding:

- General fund increases by \$342.7 million, or 14.9 percent, over the 2005 biennium. Major causes of the increase include the following:
 - Human services caseload and service changes, and an increase in the percentage of Medicaid costs the state must pay
 - Increased financial assistance, community and Tribal college assistance, and vocational technical equipment in the Montana University System, along with an increase in the percentage of general fund provided for operating costs
 - Expansions in the number of beds and payments to providers, as well as additional probation and parole officers, to address correctional population growth
 - K-12 education inflationary adjustments in Base Aid, as well as increases in a number of payments (i.e. special education), the per student entitlement for both elementary and high school students, and implementation of 3-year averaging for determining average number belonging

- Statewide present law adjustments
- Total funds would increase by \$831.6 million, or 13.4 percent. Human services is over 60 percent of this increase, due primarily to
 - Increases in Medicaid caseload and services
 - Medicaid redesign, which utilizes existing state resources to increase coverage
 - Continued use of various provider assessments (i.e. hospital tax) to increase federal funds
 - Additional food stamp costs and TANF activities

FTE

An additional 412.07 FTE were added in FY 2007 over the FY 2005 level appropriated for by the 2003 Legislature. The following shows the allocation of the increase.

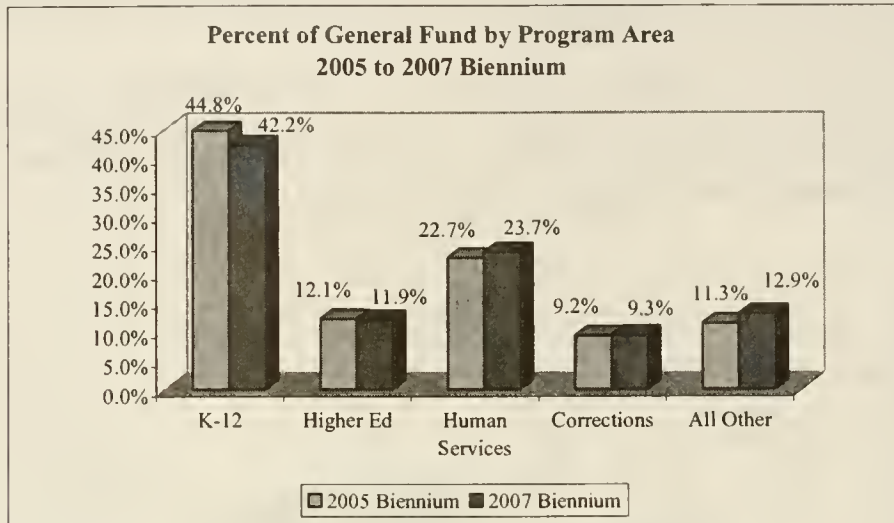


The increase in FTE is due primarily to:

- Provision of funds for additional fire fighting capacities, total maximum daily load activities, accelerated water adjudication, conversion of contract services to state FTE, and miscellaneous program editions in the three primary environmental agencies (Fish, Wildlife, and Parks; Environmental Quality; and Natural Resources and Conservation)
- Additional probation and parole officers and personnel to staff a new revocation center in the Department of Corrections
- A new Office of the Public Defender, which adds new FTE and receives a transfer of other FTE from local governments ("Other" category)
- FTE for the construction plan and to integrate financial management systems in the Department of Transportation

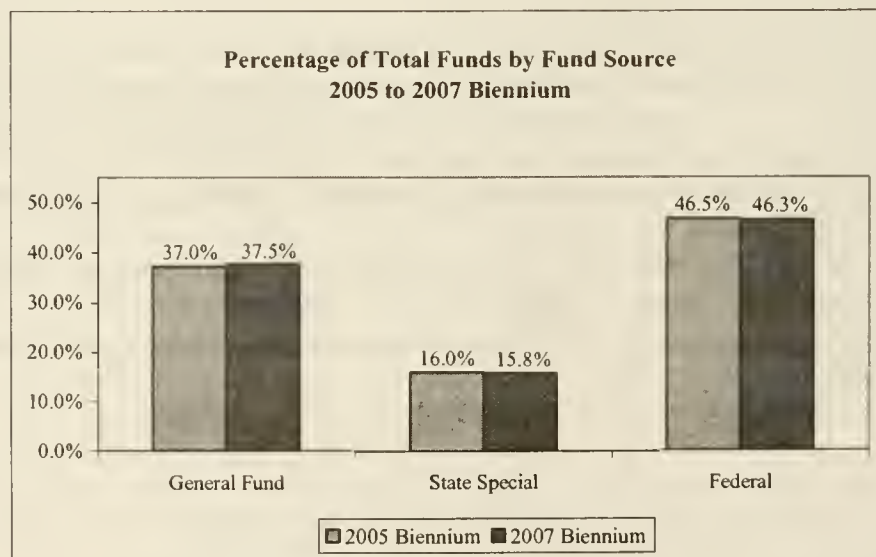
COMPARISON OF PROGRAM AREAS

The following figure shows the allocation of general fund by program area for the 2007 biennium compared to the 2005 biennium.



SOURCE OF FUNDING

The following figure illustrates that, slightly reversing a trend for a number of years, general fund is a slightly higher share of total funding due to an increase of almost 15 percent. This change is slight, however, as state special revenue and federal funds also increase by double digit amounts – 11.9 and 12.8 percent, respectively.



NATURAL RESOURCES AND COMMERCE

Section C

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Fish, Wildlife & Parks
Environmental Quality
Livestock

Natural Resources and Conservation
Agriculture
Commerce

-----Committee Members-----

House

Representative Rick Ripley (Chair)
Representative Rosalie Buzzas
Representative Walter McNutt
Representative John Musgrove

Senate

Senator Ken (Kim) Hansen (Vice-Chair)
Senator Gregory Barkus
Senator Bob Hawks

-----Fiscal Division Staff-----

Barbara Smith
Shane Sierer

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 623.44 | 26.25 | 10.16 | 659.85 | 26.25 | 12.16 | 661.85 | 661.85 |
| Personal Services | 28,258,727 | 2,222,202 | 2,470,124 | 32,951,053 | 2,222,904 | 3,993,929 | 34,475,560 | 67,426,613 |
| Operating Expenses | 22,389,693 | 2,249,354 | 5,250,168 | 29,889,215 | 2,122,946 | 2,835,070 | 27,347,709 | 57,236,924 |
| Equipment | 841,890 | 9,593 | 172,000 | 1,023,483 | (357,407) | 130,100 | 614,583 | 1,638,066 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 795,654 | 138,787 | 0 | 934,441 | (7,449) | 0 | 788,205 | 1,722,646 |
| Benefits & Claims | 14,975 | 0 | 0 | 14,975 | 0 | 0 | 14,975 | 29,950 |
| Transfers | 89,317 | 190,352 | 0 | 279,669 | 190,352 | 0 | 279,669 | 559,338 |
| Total Costs | \$52,390,256 | \$4,810,288 | \$7,892,292 | \$65,092,836 | \$4,171,346 | \$6,959,099 | \$63,520,701 | \$128,613,537 |
| State/Other Special | 37,449,204 | 3,948,241 | 1,824,556 | 43,222,001 | 3,709,815 | 3,352,280 | 44,511,299 | 87,733,300 |
| Federal Special | 14,941,052 | 862,047 | 6,067,736 | 21,870,835 | 461,531 | 3,606,819 | 19,009,402 | 40,880,237 |
| Total Funds | \$52,390,256 | \$4,810,288 | \$7,892,292 | \$65,092,836 | \$4,171,346 | \$6,959,099 | \$63,520,701 | \$128,613,537 |

Agency Description

The Department of Fish, Wildlife and Parks (FWP) is responsible for the management of Montana fish, wildlife, parks, and recreational resources. The department is also responsible for a state park system that includes scenic, historical, cultural, and recreational resources. The operational programs are in seven divisions and seven regional field offices. The five-member FWP Commission provides policy direction on resource management, seasons, and use of department lands.

Agency Highlights

| Department of Fish, Wildlife, and Parks Major Budget Highlights | |
|--|--|
| ♦ | The largest funding source is the general license account at 50 percent of the budget, or \$60.6 million over the biennium |
| ♦ | Short term contract authority was granted in lieu of utilizing the budget amendment process |
| ♦ | The legislature replaced contracted services with 16.00 FTE to bring support for the automated license system in-house resulting in a savings of \$330,000 for the 2007 biennium |
| ♦ | \$2.8 million in federal special revenue was approved to continue to participate in the state wildlife grants program |
| ♦ | To reduce pressure on the general license account, the legislature approved the removal of \$0.7 million of general license funds from HB 5 (long -range building) to fund activities in IIB 2 |
| ♦ | The legislature approved personal services and operating expenses for 36.00 additional FTE |
| ♦ | The pay plan increase (HB 447) cost \$3.3 million over the biennium, of which 54 percent or \$1.8 million is funded with general license account dollars |

Agency Discussion

General License Account

The majority of the funding for the department comes from the general license account (GLA). Fees collected for the privileges of hunting or fishing that are not earmarked for another purpose are deposited into the general license account. This account provides \$60.5 million of the department's \$121.8 million appropriation for the 2007 biennium and is used across the department for a variety of activities.

The 2005 legislature voted to increase certain hunting and fishing fees in HB 172. In the past, the legislature has set fees at a stable level for a period of eight to ten years. Early in the cycle, the increased fees generate more income than the revenue needed to meet expenses, creating a surplus of funds in the general license account, which are utilized when expenses begin to exceed revenues. During the later period, the balance in the GLA declines as expenditures exceed revenues. When the balance is projected to reach a certain point, the executive proposed a fee increase. This budgeting method puts the fund in a structural imbalance in the later years.

The legislature did not adopt this method of budgeting when HB 172 was passed. Rather than raise fees every decade, the legislature chose to raise fees for a shorter period of time. This legislative action established a different philosophy regarding how fee increases should be handled. By not approving large increases, the legislature will take an increasingly active role in determining when and how much fee increases will be. The new fees will take effect with the March 2006 license year and will provide an additional \$4.0 million over the biennium.

Figure 1 illustrates the total appropriation of general license dollars during the 2007 biennium. This table includes the \$1.8 million impact of the approved pay plan increase. Department operations have been appropriated \$60.5 million and \$4.2 million has been set aside for the capital program.

The capital expenditures may not occur in the year the appropriation is made, but the appropriations do obligate cash from the fund.

The disposition of capital dollars is illustrated in Figure 2. The largest appropriation is for the clean up of the lead contamination at Big Springs hatchery in Lewistown. Most of the listed projects receive matching funds from other state special or federal revenue sources.

Figure 1

2007 Biennium - Disposition of General License Dollars*

| Division | Base | Present Law | New Proposals | Total Appropriation |
|----------------------------|------------------|-----------------|----------------|---------------------|
| Administration and Finance | \$12,155,657 | (\$168,802) | \$488,765 | \$12,475,620 |
| Field Services | 5,269,534.00 | 1,088,859.00 | 102,554.00 | 6,460,947.00 |
| Fisheries | 7,553,476.00 | 48,654.00 | 284,415.00 | 7,886,545.00 |
| Law Enforcement | 11,729,169.00 | 436,464.00 | 781,188.00 | 12,946,821.00 |
| Wildlife | 7,394,304.00 | 310,902.00 | 315,258.00 | 8,020,464.00 |
| Parks | 1,896,724.00 | 83,806.00 | 72,492.00 | 2,053,022.00 |
| Conservation Education | 3,788,134.00 | (30,634.00) | 279,496.00 | 4,036,996.00 |
| Department Management | 5,928,640.00 | 65,417.00 | 525,462.00 | 6,519,519.00 |
| DNRC | <u>\$131,170</u> | <u>\$16,000</u> | <u>\$6,067</u> | <u>\$153,237</u> |
| | \$55,846,808 | \$1,850,666 | \$2,855,697 | \$60,553,171 |
| Capital Projects | | | | <u>\$4,195,974</u> |
| Total Appropriations | | | | <u>\$64,749,145</u> |

*includes pay plan & capital program

Figure 2

2007 Biennium - Disposition of General License Dollars Capital Program

| | |
|---|--------------------|
| * Big Springs Hatchery PCB Cleanup | \$1,696,974 |
| * Fishing Access Site Acquisition | 150,000 |
| * Fishing Access Site Maintenance | 235,000 |
| Fishing Access Site Protection | 800,000 |
| * Statewide Hatchery Maintenance | 575,000 |
| FWP Owned Dam Repairs | 264,000 |
| * Boat Washing Stations | 25,000 |
| * FT Peck Hatchery Equipment Storage | 50,000 |
| * Administration Facilities Repair/Improvements | 400,000 |
| Total | <u>\$4,195,974</u> |

* Project Requires Matching Funds

The general license fund is anticipated to have a \$7.2 million fund balance at the end of FY2007. Figure 3 illustrates historical revenues and disbursements. The account is anticipated to receive \$58.9 million in revenue and expend \$64.7 million, creating a structural imbalance of \$5.8 million within the biennium. Given the status of the general license account, the legislature will be faced with determining whether fees should be increased or expenditures reduced to work towards balancing the general license account and preserving an appropriate fund balance to deal with cash flow issues.

Legislative Contract Authority

The 2003 Legislature eliminated legislative contract authority and required the department to seek budget amendments for the use of federal funds that become available during the interim. The 2005 Legislature reinstated \$2.7 million in federal special revenue contract authority for each year of the biennium. The majority, or \$2.25 million, is directed for use in the Fisheries Division. The 2005 Legislature reinstated this authority to reduce the burden of paperwork for the department and the Office of Budget and Program Planning.

Increase in FTE

Figure 4 illustrates the change in FTE as a result of legislative action. The largest increase of 16.00 FTE results from the transition of the automated licensing system from a contracted source to in-house employees. During the 2007 biennium this change produces a net savings. In future years, pay plan increases will be applied to these positions and will no longer produce a net savings.

Additional FTE were approved in every division of the department.

Only 1.00 FTE was eliminated as a result of audit recommendations concerning the employment of the FWP Foundation director.

Figure 3
Fish, Wildlife and Parks
General License Account Revenues and Disbursements

| Fiscal Year | Revenues | Disbursements | Difference | Ending Fund Balance |
|-------------|--------------|---------------|-------------|---------------------|
| •2007 | \$30,304,922 | \$30,658,088 | (\$353,166) | \$7,229,839 |
| •2006 | 28,645,421 | 34,091,057 | (5,445,636) | 7,583,005 |
| •2005 | 27,650,615 | 34,656,080 | (7,005,465) | 13,028,641 |
| 2004 | 28,407,202 | 28,758,193 | (350,991) | 22,184,899 |
| 2003 | 29,244,690 | 26,742,906 | 2,501,784 | 22,535,890 |
| 2002 | 25,551,068 | 26,610,399 | (1,059,331) | 20,034,106 |
| 2001 | 24,995,088 | 25,496,596 | (501,508) | 21,093,437 |
| 2000 | 24,682,872 | 25,261,465 | (578,593) | 21,594,945 |
| 1999 | 24,855,232 | 25,647,061 | (791,829) | 22,173,538 |
| 1998 | 24,556,436 | 23,387,660 | 1,168,776 | 22,965,367 |
| 1997 | 24,001,499 | 21,387,625 | 2,613,874 | 21,796,591 |
| 1996 | 25,118,865 | 21,082,910 | 4,035,955 | 19,182,717 |
| 1995 | 25,254,777 | 19,510,966 | 5,743,811 | 15,146,762 |
| 1994 | 23,200,161 | 18,963,554 | 4,236,607 | 9,402,951 |
| 1993 | 21,511,108 | 18,192,128 | 3,318,980 | 5,166,344 |
| 1992 | 18,836,165 | 17,152,135 | 1,684,030 | 1,847,364 |
| 1991 | \$16,948,445 | \$16,785,111 | \$163,334 | \$163,334 |

*Based upon estimate available fund balance

Figure 4
FTE Changes for 2007 Biennium

| Division | FY 2006 | | FY2007 | | Description |
|----------------------------|--------------|-------------------|--------------|-------------------|--|
| | #FTE | Cost | # FTE | Cost | |
| Administration and Finance | 16.00 | \$ (168,182) | 16.00 | \$ (168,182) | Convert Contract Services to FTE for ALS |
| Field Service | 2.00 | 57,128 | 2.00 | 57,089 | Annualize OTO FTE from 2005 Biennium |
| Fisheries | 1.00 | 37,222 | 1.00 | 37,194 | Fisheries Technicians |
| | 3.00 | 101,604 | 3.00 | 101,511 | Fort Peck Hatchery Staff |
| Law Enforcement | 2.00 | 77,796 | 2.00 | 77,574 | Regional Investigators |
| | 1.50 | 49,897 | 1.50 | 49,779 | Water Safety Specialists |
| | 1.00 | 33,915 | 1.00 | 33,915 | Warden Trainee |
| | 0.00 | 0 | 1.00 | 39,040 | Additional FTE for Block Management |
| Wildlife | 1.00 | 54,282 | 1.00 | 25,257 | Pilot for Wildlife Surveys |
| | 0.50 | 22,795 | 0.50 | 22,784 | Black Bear Harvest Study |
| | 0.50 | 20,988 | 0.00 | - | Mountain Lion Research |
| Parks | 2.50 | 97,667 | 2.50 | 97,600 | Parks Maintenance Staff |
| | 3.00 | 87,562 | 3.00 | 87,411 | Fishing Access Site Maintenance Staff |
| Conservation Education | 1.16 | 31,393 | 1.16 | 31,353 | Wildlife Center Staff |
| Department Management | 1.00 | 47,657 | 1.00 | 47,508 | Increase Litigation Staff |
| | (1.00) | (62,364) | (1.00) | (62,180) | Eliminate FWP Foundation Director |
| | 1.00 | 49,634 | 1.00 | 49,634 | Website Content Manager |
| | 0.25 | 14,266 | 0.25 | 14,220 | FWP Foundation Liaison |
| Total FTE and Costs | 36.41 | \$ 553,260 | 36.91 | \$ 541,507 | |

Summary of Legislation Action

The legislature approved a biennial budget of \$128.6 million. This included present law adjustments of \$8.9 million and new proposals totaling \$14.8 million. The major increases occurring from new proposals include:

- Legislative contract authority of \$5.4 million for federal funds received during the interim for the Fisheries, Wildlife, Law Enforcement and Parks Divisions
- Authority of \$3.0 million to participate in the state wildlife grant program
- Funding to begin fish production at the Fort Peck hatchery of \$0.9 million
- Authority to hire 2.00 FTE as regional investigators at the cost of \$230,000

Other major budgetary issues included:

- The legislature, through HB 172, raised certain hunting and fishing fees for residents and made minor adjustments to some non-resident fees resulting in increased revenues of \$4.0 million over the biennium
- The hunting access enhancement program was extended through the passage of SB 77 that eliminated the sunset date
- A technical correction was made to the light vehicle registration fee to avoid the potential loss of \$1.1 million in revenue through HB 170.
- Law enforcement activities were expanded by two regional investigators, one warden and two warden trainees
- A one-time savings occurred in the approval to transfer the automated licensing system to in-house personnel
- Boat registration laws were changed in order to comply with Coast Guard regulations and preserve Coast Guard funding
- A number of pieces of legislation provided for discounted licenses for out of state children of Montana residents, active military personnel and disabled veterans
- Shortfalls in the warm water stamp fund were addressed by the passage of SB 298, expanding the waters where a stamp is required, thus increasing revenues to the fund

Other Legislation

The following legislation resulted in the legislature appropriating funds to implement new program requirements or changes:

House Bill 22 - This bill establishes a fee on water right holders to generate income to complete the water adjudication process in fifteen years. The legislature authorized a one-time transfer of \$177,700 from the general license account to the water adjudication fund to meet this obligation.

House Bill 56 - This legislation removes the sunset clause for the fishing access program. The legislature appropriated \$25,000 per year to landowners who allow public access to fishing sites.

House Bill 119 - This legislation removes the sunset clause for the Recreational Boating County Grant program. The County Grant program matches county money 1:1 with federal Coast Guard funds. The legislature appropriated \$20,000 of state and \$20,000 in federal funds to be passed to the counties for this purpose.

House Bill 235 - This legislation enacts recommendations of the Private Lands/Public Wildlife committee. This includes enhancement of hunter access and management through the creation of a lottery draw program for deer, elk, moose, sheep and goat license; ability for a land owner to designate a family member for a complimentary license; option for non-resident land owners to receive compensation and a complimentary license and the increase in law enforcement activities. The legislature appropriated \$746,00 in FY 2007 to implement these changes

House Bill 707 - This legislation provides the authority to increase compensation to license agents who utilize a dedicated line for license transactions. The legislation also clarifies a transaction to include the collection of data. The legislature provided an appropriation of \$91,100 each year of the biennium to cover this cost. The funding source is the general license account.

Senate Bill 77 - This legislation removes the sunset clause for the hunting access and enhancement program, which makes the block management program permanent. The legislature approved program expenses of \$4.3 million per year, including payments to landowners who allow public hunting on their property.

Senate Bill 126 - This legislation requires boat owners to obtain a registration decal every three years on permanently registered vessels at no cost in order to comply with federal Coast Guard regulations. This legislation appropriated \$70,000 per year of federal Coast Guard funding for boating programs based on this change.

Senate Bill 461 – This legislation directs the department to collar one wolf in packs that are near livestock or population centers for the purpose of tracking and directs that only federal dollars be expended. The legislature appropriated \$25,000 per year for this purpose.

The following legislation impacts revenue sources utilized by the department:

House Bill 5– This legislation appropriated \$31.7 million in capital projects over the biennium. This encompasses storage at the Fort Peck hatchery, repair of administrative buildings, fishing access site development, parks projects, and the clean-up of the lead based paint at Big Springs hatchery. A total of \$4.2 million is funded with general license dollars.

House Bill 14 – This legislation provides authority for a wildlife conservation group to auction one mountain goat license annually. Funds raised will go to mountain goat management work less the 10 percent commission payable to the conservation group.

House Bill 34 – This legislation provides a price break on turkey tags for non-residents who have a valid upland bird license. The first \$30.40 of the \$55 fee will be used to secure, maintain or develop wildlife habitat. The remainder is deposited to the general license account.

House Bill 79 - This legislation removes the sunset clause for the Habitat Montana program. Portions of hunting fees provide the funding to this program.

House Bill 172 – This legislation provides for an increase of certain resident hunting and fishing fees, which is anticipated to raise revenue of \$1.2 million in FY2006 and \$2.8 million in FY 2007. The legislature did not appropriate any of the funds raised from the fee increase. Instead, they will be deposited to the general license account to strengthen the fund balance. (See agency discussion on the general license account.)

House Bill 109 – This legislation transfers the Capitol complex grounds maintenance staff, responsibilities and enterprise funding transfer to the Department of Administration on July 1, 2005.

House Bill 170 –This is a technical correction to the law relating to the transfer of certain vehicle taxes and fees from the Department of Revenue. Without this legislation, the department could have experienced a revenue loss of \$1.1 million.

House Bill 174 – This legislation establishes a \$10 application fee and \$10 renewal fee on all private pond licenses. Unless a transfer of the license occurs, the license is valid for ten years. This legislation raises \$25,830 over the biennium and is deposited to the general license account.

House Bill 214– This legislation established a non-resident youth big game license at one-half of the cost of an adult license. The anticipated revenue from this legislation is \$93,750 per year.

House Bill 272– This legislation provides for a limited number of licenses for disabled veterans at half of the published rate. Estimated revenue from this legislation is \$2,915 per year.

House Bill 312– This legislation directs revenue generated from Smith River user fees be deposited to a separate account and utilized for specific purposes. Prior to this legislation, fees were deposited into the state parks miscellaneous income fund.

House Bill 421 - This legislation provides that a non-resident child of a resident can purchase a limited number of licenses at twice the resident rate. The department anticipates a \$32,946 reduction in revenues over the biennium as a result of this legislation.

House Bill 514 – This legislation increases restitution for the illegal taking of a grizzly bear from \$2,000 to \$8,000. The department anticipates an increase of \$8,356 over the biennium from this change.

House Bill 698 – This legislation establishes a state special revenue account to collect donations for the warm water fishery program. An initial deposit of \$1,000 from the general license account will establish the fund. The estimated revenue to this fund is approximately \$23,000 per year.

House Joint Resolution 30– Requests an interim study to review the incentives granted to landowners who participate in hunting access programs.

Senate Bill 91 – This legislation establishes a requirement to allocate two wild buffalo licenses to each tribe when the commission authorizes the release of forty or more licenses. The potential revenue reduction is estimated at \$1,875 per year.

Senate Bill 298 - This legislation clarifies that a warm water stamp will be required to fish any waters where fish from the Fort Peck Hatchery are planted or will be planted. The increase in the warm water stamp revenue is estimated at \$35,000 per year.

Senate Bill 339 – This legislation provides for a free conservation license or a reduced price combination license to any qualified active member of the military. The estimated revenue reduction is \$66,000 over the biennium.

Senate Bill 503 – Eliminates the special archery season and allows for general hunting on the preserve. The increase in permits sold due to this legislation is estimated to generate \$3,200 in revenue each year of the biennium.

Funding

The following table summarizes funding for the agency, by program and sources, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | |
|--|----------------------|----------------------|-----------------------|----------------|
| Agency Program | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Administration & Finance Div. | \$ 12,715,624 | \$ 3,727,283 | \$ 16,442,907 | 12.78% |
| 02 Field Services Division | 17,325,711 | 1,249,915 | 18,575,626 | 14.44% |
| 03 Fisheries Division | 8,897,449 | 18,666,452 | 27,563,901 | 21.43% |
| 04 Enforcement Division | 14,380,515 | 718,669 | 15,099,184 | 11.74% |
| 05 Wildlife Division | 9,217,943 | 9,209,704 | 18,427,647 | 14.33% |
| 06 Parks Division | 14,395,617 | 896,286 | 15,291,903 | 11.89% |
| 08 Conservation Education Div | 4,280,922 | 1,459,507 | 5,740,429 | 4.46% |
| 09 Department Management | 6,519,519 | 4,952,421 | 11,471,940 | 8.92% |
| Grand Total | <u>\$ 87,733,300</u> | <u>\$ 40,880,237</u> | <u>\$ 128,613,537</u> | <u>100.00%</u> |

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|-------------------------|------------------------------|--------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------------|----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 623.44 | 653.80 | 659.85 | 6.05 | 644.97 | 661.85 | 16.88 | |
| Personal Services | 28,258,727 | 31,852,122 | 32,951,053 | 1,098,931 | 31,545,925 | 34,475,560 | 2,929,635 | 4,028,566 |
| Operating Expenses | 22,389,693 | 27,237,253 | 29,889,215 | 2,651,962 | 21,969,129 | 27,347,709 | 5,378,580 | 8,030,542 |
| Equipment | 841,890 | 1,023,483 | 1,023,483 | 0 | 609,483 | 614,583 | 5,100 | 5,100 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 795,654 | 884,441 | 934,441 | 50,000 | 698,205 | 788,205 | 90,000 | 140,000 |
| Benefits & Claims | 14,975 | 14,975 | 14,975 | 0 | 14,975 | 14,975 | 0 | 0 |
| Transfers | 89,317 | 279,669 | 279,669 | 0 | 279,669 | 279,669 | 0 | 0 |
| Total Costs | \$52,390,256 | \$61,291,943 | \$65,092,836 | \$3,800,893 | \$55,117,386 | \$63,520,701 | \$8,403,315 | \$12,204,208 |
| State/Other Special | 37,449,204 | 39,813,363 | 43,222,001 | 3,408,638 | 36,857,159 | 44,511,299 | 7,654,140 | 11,062,778 |
| Federal Special | 14,941,052 | 21,478,580 | 21,870,835 | 392,255 | 18,260,227 | 19,009,402 | 749,175 | 1,141,430 |
| Total Funds | \$52,390,256 | \$61,291,943 | \$65,092,836 | \$3,800,893 | \$55,117,386 | \$63,520,701 | \$8,403,315 | \$12,204,208 |

The legislature approved a biennial budget \$12.2 million higher than the executive proposed budget. This increase is 88 percent state special revenue, and 12 percent federal special revenue. The department did not receive any general fund. This increase can be attributed to three distinct actions:

- The passage of SB 77 reinstated the hunting access enhancement program resulting in the addition of \$6.9 million
- HB 447, the pay plan, resulted in an increase of \$3.3 million
- Miscellaneous initiatives that were not included in the original budget account for \$2.0 million, including:
 - Payment for water release at painted rocks reservoir
 - Re-instatement of previous reductions to the black bear harvest assessment
 - Addition of 1.0 FTE for two seasonal warden trainee positions
 - Increased compensation for license transactions
 - 1.25 FTE within the Department Management Division

Language

The legislature approved the following language for inclusion in HB2:

"If the department receives additional federal special revenue for services comparable to those with general license revenue or is required to adjust personal services expenditures between state and federal accounts, the approving authority may adjust the state special revenue appropriation and the federal appropriation by like amounts. "

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 57.32 | 16.00 | 0.00 | 73.32 | 16.00 | 0.00 | 73.32 | 73.32 |
| Personal Services | 2,652,620 | 741,855 | 102,781 | 3,497,256 | 740,442 | 267,704 | 3,660,766 | 7,158,022 |
| Operating Expenses | 4,754,839 | (302,748) | 91,100 | 4,543,191 | (360,525) | 91,100 | 4,485,414 | 9,028,605 |
| Equipment | 28,488 | 0 | 0 | 28,488 | 0 | 0 | 28,488 | 56,976 |
| Transfers | 0 | 99,652 | 0 | 99,652 | 99,652 | 0 | 99,652 | 199,304 |
| Total Costs | \$7,435,947 | \$538,759 | \$193,881 | \$8,168,587 | \$479,569 | \$358,804 | \$8,274,320 | \$16,442,907 |
| State/Other Special | 5,833,955 | 291,371 | 176,167 | 6,301,493 | 267,578 | 312,598 | 6,414,131 | 12,715,624 |
| Federal Special | 1,601,992 | 247,388 | 17,714 | 1,867,094 | 211,991 | 46,206 | 1,860,189 | 3,727,283 |
| Total Funds | \$7,435,947 | \$538,759 | \$193,881 | \$8,168,587 | \$479,569 | \$358,804 | \$8,274,320 | \$16,442,907 |

Program Description

The Administration and Finance Division provides department-wide support for accounting, fiscal management, purchasing and property management, personnel, and federal aid administration. Additionally, the division provides information technology services to the agency and administers the sale of hunting, fishing, and other recreational licenses.

Program Highlights

| Administration and Finance Division Major Program Highlights | |
|---|---|
| ♦ | The legislature approved a plan to transition the Automated Licensing System in house by replacing contracted services with 16.00 FTE |
| ♦ | HB 707 established a broader definition of "transaction" resulting in an increase in compensation to license vendors - \$91,100 of state special revenue per year was appropriated for this purpose |
| ♦ | The legislature approved increased equipment rates |
| ♦ | The remainder of the increase is attributable primarily to statewide increases |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|------------------------------------|--------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Administration & Finance | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 5,833,955 | 78.5% | \$ 6,301,493 | 77.1% | \$ 6,414,131 | 77.5% |
| | 02086 Mountain Sheep Account | 16,000 | 0.2% | 16,000 | 0.2% | 16,000 | 0.2% |
| | 02112 Moose Auction | 1,725 | 0.0% | 1,725 | 0.0% | 1,725 | 0.0% |
| | 02409 General License | 5,813,605 | 78.2% | 6,181,491 | 75.7% | 6,294,129 | 76.1% |
| | 02547 Search & Rescue | - | - | 99,652 | 1.2% | 99,652 | 1.2% |
| | 02559 Mule Deer Auction | 625 | 0.0% | 625 | 0.0% | 625 | 0.0% |
| | 02560 Elk Auction | 2,000 | 0.0% | 2,000 | 0.0% | 2,000 | 0.0% |
| 03000 | Total Federal Special Funds | 1,601,992 | 21.5% | 1,867,094 | 22.9% | 1,860,189 | 22.5% |
| | 03097 Fedl Fish(W/B) Wildlife(P/R) | 610,925 | 8.2% | 948,841 | 11.6% | 936,464 | 11.3% |
| | 03404 Overhead | 991,067 | 13.3% | 918,253 | 11.2% | 923,725 | 11.2% |
| Grand Total | | \$ 7,435,947 | 100.0% | \$ 8,168,587 | 100.0% | \$ 8,274,320 | 100.0% |

The Administration and Finance Division is funded from the general license account and revenues received through applying an assessment to federal grants and non-federal accounts to recover overhead costs. These sources provide the funding for the services provided to other divisions within the department. The Management and Field Services divisions are partially funded in the same manner. The assessment rate for the 2007 biennium from non-federal sources is 10.8 percent for operations and 3.5 percent for capital. The federal rate is negotiated on an annual basis. The current rate for federal funds is 17.8 percent.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 152,767 | | | | | | 153,395 |
| Vacancy Savings | | | | (112,209) | | | | | | (112,240) |
| Inflation/Deflation | | | | (65,254) | | | | | | (65,320) |
| Fixed Costs | | | | 623,886 | | | | | | 564,165 |
| Total Statewide Present Law Adjustments | | | | \$599,190 | | | | | | \$540,000 |
| DP 103 - Seasonal Overtime | 0.00 | 0 | 8,099 | 0 | 8,099 | 0.00 | 0 | 8,099 | 0 | 8,099 |
| DP 104 - Automated License System Operations Transition | 16.00 | 0 | (92,500) | (75,682) | (168,182) | 16.00 | 0 | (92,500) | (75,682) | (168,182) |
| DP 105 - Search and Rescue Transfer | 0.00 | 0 | 99,652 | 0 | 99,652 | 0.00 | 0 | 99,652 | 0 | 99,652 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 16.00 | \$0 | \$15,251 | (\$75,682) | (\$60,431) | 16.00 | \$0 | \$15,251 | (\$75,682) | (\$60,431) |
| Grand Total All Present Law Adjustments | | | | \$538,759 | | | | | | \$479,569 |

DP 103 - Seasonal Overtime - The legislature approved funding for overtime. The overtime is used in lieu of adding staff during peak workload periods in the areas of licensing, payroll, budget, claims and accounting.

DP 104 - Automated License System Operations Transition - The legislature approved a proposal to transition from contracted technology services to in-house support for the Automated Licensing System (ALS) that processes over 1.5 million license items annually. This approval includes 16.0 FTE.

DP 105 - Search and Rescue Transfer - The legislature approved an adjustment to provide the authority needed to reimburse costs associated with search and rescue missions for hunters, anglers, and trappers. This adjustment will allow for a full year of funds to be transferred to the Disaster and Emergency Services Division of the Department of Military Affairs who, in turn, reimburses the local search and rescue organizations.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|--------------|------------------|-----------------|------------------|-------------|--------------|------------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 125 - Increased Compensation for License Transactions | | | | | | | | | | |
| 01 | 0.00 | 0 | 91,100 | 0 | 91,100 | 0.00 | 0 | 91,100 | 0 | 91,100 |
| DP 6010 - 2007 Biennium Pay Plan - HB447 | | | | | | | | | | |
| 01 | 0.00 | 0 | 85,067 | 17,714 | 102,781 | 0.00 | 0 | 221,498 | 46,206 | 267,704 |
| Total | 0.00 | \$0 | \$176,167 | \$17,714 | \$193,881 | 0.00 | \$0 | \$312,598 | \$46,206 | \$358,804 |

DP 125 - Increased Compensation for License Transactions - The legislature approved an increase in compensation to license vendors from an expanded definition of a transaction. The funding is from the general license account.

DP 6010 - 2007 Biennium Pay Plan - HB447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The department shall present a written quarterly report to the legislative fiscal division detailing its progression with the automated licensing system transition plan and the related costs for the current fiscal year. In addition, it shall present this information to the legislative finance committee at the October 2005 and June 2006 meetings."

Proprietary Program Description

There are three proprietary functions within this division:

Duplicating Center

The department's duplicating center provides duplicating and bindery services to department employees. The Duplicating Center has 1.00 FTE and, whenever the demand for services becomes too great or a particular job is considered too large, the excess jobs are taken to Publications & Graphics to be completed.

Equipment Enterprise Fund

The department's equipment fund provides a fleet of vehicles and aircraft to department employees. The revenue users are department employees, mostly enforcement wardens, fish and wildlife biologists and park employees. Every month, users are charged for the miles driven (hours flown) during the previous month.

Warehouse Inventory

The department's warehouse contains mainly uniform items (both for wardens and non-wardens) and items specifically related to the duties of the department such as gill nets for the fisheries biologists. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

Proprietary Revenues and Expenses*Duplicating Center*

Expenses recovered in the rates are the personal services of the 1.00 FTE, operating expenses and the raw materials needed for duplicating. Rates have been historically adjusted based on the need to increase or decrease the cash balances in the account. Prior to requesting new rates, a review of the cash balance is done. At the end of FY 2004, the cash balance was \$23,938.

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. Field projects are billed monthly for the services provided during the month. The workload is fairly consistent so there is little fluctuation in cash balances except when additional inventory is purchased.

A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At the end of FY 2004 the book value of the fund's assets was \$19,182 and the fund had \$8,585 in inventory.

Equipment Enterprise Fund

The objective of the vehicle account is to recover (through rates and annual auction revenues) sufficient funds to cover administrative costs to operate the program (personal services and operations) in addition to being able to replace fleet vehicles at approximately 100,000 miles. A total of 2.06 FTE are funded in this fund. The two largest costs are fuel and repairs. In FY 2004 the fund spent \$675,000 on fuel and \$500,000 on repairs. In FY 2004 the department drove just over 5.0 million miles in department vehicles while the 10-year average is 4.95 million miles. Due to a 3 percent rate increase in FY 2005 and the proposed rate increases in FY 2006 and 2007, the program anticipates revenues of \$2.5 million in both FY 2006 and 2007. These amounts are increases of approximately 3 percent over base year fee revenue.

The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. To compensate for a cash flow problem created by keeping rates artificially low, rates were increased 25 percent in FY 2002, 15 percent in FY 2003, 6 percent in FY 2004 and 3 percent in FY 2005. The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

In order to maintain a positive cash balance, during the past 4 years, the vehicle fund needed a \$300,000 loan from another fund. This was repaid in FY 2005. Working capital at the end of FY 2004 was \$237,000.

Divisions are billed monthly for the miles driven (hours flown) during the previous month. Cash balances fluctuate during the year for two reasons. The first is that monthly mileage is greater during the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus cash balances are normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly higher than spring balances.

There is no requirement to reserve fund balance. At the end of FY 2004, the vehicle fund had total assets of \$6,964,000 and the book value (original cost less accumulated depreciation) of the fleet was \$6,566,000. The major liability was a \$300,000 loan to ensure positive cash balance at year-end and was repaid in FY 2005. As stated above, working capital at the end of FY 2004 was \$237,000. A portion of the program's fund balance has been reserved for the book value of department vehicles and aircraft.

Warehouse Inventory

The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker and inventory purchased as needed to replenish existing stock. Revenues are the sales of inventory items to department employees. The department anticipates revenues to be approximately \$90,000 per year for FY 2006 and FY 2007. Beginning in FY 2002, 0.20 FTE are supported with this program.

The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. The department attempts to ensure that fees are commensurate with costs over time by adjusting the proposed rates for excess income or loss from previous periods.

Field projects are billed monthly for the purchases made during the month. Cash balances fluctuate during the year. Cash balances are lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired.

A portion of the program's fund balance has been reserved for the warehouse inventory. At the end of FY 2004, the warehouse inventory was \$114,600.

Proprietary Rate Explanation*Duplicating Center*

The rate methodology attempts to determine a rate for various duplicating and bindery services that allow the fund to recover both the cost of the raw materials and all associated personal services and operating costs. Rates have been historically adjusted based on the need to increase or decrease the cash balance. The rates have remained constant for the past four years. The legislature approved continuation of the same rates through the 2007 biennium.

| Duplicating Center | | |
|--------------------------|---------|---------|
| Item | FY 2006 | FY 2007 |
| <u>Copies</u> | | |
| 1-20 | \$0.045 | \$0.050 |
| 21-100 | \$0.030 | \$0.035 |
| 101-1000 | \$0.025 | \$0.030 |
| 1001-5000 | \$0.020 | \$0.025 |
| Color copies - per sheet | \$0.250 | \$0.250 |
| <u>Binding</u> | | |
| Collating (per sheet) | \$0.005 | \$0.005 |
| Hand stapling (per set) | \$0.015 | \$0.015 |
| Saddle stitch (per set) | \$0.030 | \$0.030 |
| Folding (per sheet) | \$0.005 | \$0.005 |
| Punching (per sheet) | \$0.001 | \$0.001 |
| Cutting (per minute) | \$0.550 | \$0.550 |

Equipment

The rate methodology attempts to determine a cost/mile rate for various classes of vehicles and a cost/hour rate for each class of aircraft. The methodology is to determine the previous year's expenses, including operating, maintenance, administration and depreciation expenses minus the previous year's revenue generated from the rates and the annual vehicle auction to establish the net income for a particular class. Next the life to date (LTD) net income or loss on a per mile (hour) basis is determined. Future year expenses are estimated based on the most current year's information plus a 3 percent inflationary factor. Using the most current year's mileage and the projected expenses, a cost/mile (hour) rate is determined for the future year. This rate is adjusted for any LTD net income or loss. In an attempt to minimize large increases or decreases, rates would not change more than 25 percent per year (10 percent for aircraft).

| Equipment | | |
|-----------------------|----------|----------|
| Description | FY 2006 | FY 2007 |
| <u>Per Mile Rates</u> | | |
| Sedans | \$0.30 | \$0.30 |
| Vans | \$0.33 | \$0.33 |
| Utilities | \$0.37 | \$0.37 |
| Grounds Maintenance | \$1.05 | \$1.10 |
| Pickup 1/2 Ton | \$0.32 | \$0.32 |
| Pickup 3/4 Ton | \$0.37 | \$0.37 |
| <u>Per Hour Rates</u> | | |
| 2 Place Single Engine | \$59.56 | \$62.54 |
| Partnavia | \$297.78 | \$297.78 |
| Turbine Helicopters | \$363.01 | \$363.01 |

In addition, a minimum mileage rate was instigated in FY 2000. This was an attempt to recover overhead costs whether a vehicle is driven or not. A minimum monthly overhead charge would be assessed to each vehicle that is not driven does not maintain the class average mileage. By using this method, the overhead costs are recovered and low mileage vehicles are not being subsidized by higher mileage vehicles.

Each year, department employees drive over 5.0 million miles in department owned vehicles. The department currently has a fleet of over 400 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists and parks employees. The department's request for vehicle replacement is for 45 vehicles in both

FY 2006 and 2007. This is based on replacing vehicles after a minimum of 100,000 miles. Annually, the department auctions these vehicles and replaces them with new vehicles. Historically, the department has replaced 40 to 45 vehicles each year. This replacement schedule does not require a present law adjustment. Vehicles would be assessed a minimum overhead charge if not driven a minimum number of miles in addition to the regular rates.

In FY 2000, the department realized that they had a cash flow problem in the vehicle account. This arose from keeping the rates artificially low in an attempt to show that rates were commensurate with costs. The 2001 legislature provided the department with a rate increase of 25 percent in FY 2002 and 15 percent in FY 2003. Similarly, the 2003 legislature provide the department with a 6 percent rate increase in FY 2004 and 3 percent rate increase in FY 2005. At the end of FY 2004, the department's cash flow problem has been resolved. The legislature approved rates for FY 2006 and FY 2007 to adjust for inflationary increases.

Warehouse Inventory

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate would generate sufficient revenue to cover the administrative costs of the program.

The legislature approved a 5 percent overhead rate for FY 2006 and 2007. The rate was calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 42.60 | 2.00 | 0.00 | 44.60 | 2.00 | 1.00 | 45.60 | 45.60 |
| Personal Services | 1,823,405 | 150,657 | 59,077 | 2,033,139 | 151,406 | 172,774 | 2,147,585 | 4,180,724 |
| Operating Expenses | 5,739,537 | 1,117,322 | (13,683) | 6,843,176 | 1,095,541 | 660,086 | 7,495,164 | 14,338,340 |
| Equipment | 13,306 | 0 | 0 | 13,306 | 0 | 0 | 13,306 | 26,612 |
| Benefits & Claims | 14,975 | 0 | 0 | 14,975 | 0 | 0 | 14,975 | 29,950 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$7,591,223 | \$1,267,979 | \$45,394 | \$8,904,596 | \$1,246,947 | \$832,860 | \$9,671,030 | \$18,575,626 |
| State/Other Special | 6,831,042 | 1,254,210 | 39,153 | 8,124,405 | 1,553,567 | 816,697 | 9,201,306 | 17,325,711 |
| Federal Special | 760,181 | 13,769 | 6,241 | 780,191 | (306,620) | 16,163 | 469,724 | 1,249,915 |
| Total Funds | \$7,591,223 | \$1,267,979 | \$45,394 | \$8,904,596 | \$1,246,947 | \$832,860 | \$9,671,030 | \$18,575,626 |

Program Description

The Field Services Division provides services in five areas.

- o The Landowner Sportsman Relations and Block Management Program: 1) establishes and maintains communications with user and resource-based organizations and individuals; 2) administers the Livestock Loss Reimbursement Program; and 3) administers the Block Management Program, which provides recreational access on private property
- o The Game Damage Program provides assistance to landowners in minimizing impacts of game animals to property and crops
- o The Design and Construction Bureau provides architectural and engineering services for construction and maintenance projects at state parks, state fishing access sites, and wildlife management areas
- o The Aircraft Unit provides aerial mountain lake surveys and fish planting, wildlife surveys, wildlife capture and marking, and transportation for the department
- o The Land Unit is responsible for the real estate functions of the department, including conservation easements, acquisition and disposal of real estate and real property, and management of all permanent land records

Program Highlights

| Field Services Division Major Program Highlights | |
|---|---|
| ◆ | The legislature approved the continuation of the hunting access enhancement program through the passage of SB 77 |
| ◆ | Annualization of a one-time only authorization granted by the 2003 Legislature was implemented at the cost of \$1.2 million |
| ◆ | \$57,000 of state special revenue was appropriated to implement the recommendations of the Private Land/Public Wildlife council |
| ◆ | Urban wildlife planning activities were not approved |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|------------------------------------|-------------------------|-----------|--------------|-------------|--------------|-------------|
| | | Field Services Division | | | | | |
| Program Funding | | Base | % of Base | Budget | % of Budget | Budget | % of Budget |
| | | FY 2004 | FY 2004 | FY 2006 | FY 2006 | FY 2007 | FY 2007 |
| 02000 | Total State Special Funds | \$ 6,831,042 | 90.0% | \$ 8,124,405 | 91.2% | \$ 9,201,306 | 95.1% |
| | 02334 Market Based Combo Sales | 4,379,268 | 57.7% | 5,018,131 | 56.4% | 5,713,042 | 59.1% |
| | 02408 Coal Tax Trust Account | 34,839 | 0.5% | 34,945 | 0.4% | 35,084 | 0.4% |
| | 02409 General License | 2,385,154 | 31.4% | 3,039,548 | 34.1% | 3,421,399 | 35.4% |
| | 02469 Habitat Trust Interest | 31,781 | 0.4% | 31,781 | 0.4% | 31,781 | 0.3% |
| 03000 | Total Federal Special Funds | 760,181 | 10.0% | 780,191 | 8.8% | 469,724 | 4.9% |
| | 03097 Fedl Fish(W/B) Wildlife(P/R) | 452,041 | 6.0% | 458,545 | 5.1% | 145,846 | 1.5% |
| | 03404 Overhead | 308,140 | 4.1% | 321,646 | 3.6% | 323,878 | 3.3% |
| Grand Total | | \$ 7,591,223 | 100.0% | \$ 8,904,596 | 100.0% | \$ 9,671,030 | 100.0% |

The Field Services Division's primary funding sources are portions of the variable-rate hunting license sales and the general license account. Lesser amounts come from the Coal Tax Trust interest (for the acquisition, development, operations and maintenance of state parks) and the Wildlife Habitat Trust interest. Federal funds consist of Pittman-Robertson (PR) funds derived from excise taxes on sporting firearms and ammunition. This fund requires a minimum non-federal match of 25 percent. The division receives a portion of the indirect cost assessment on non-federal funds established at 10.8 percent for operational expenditures and 3.5 percent for capital expenditures. The federal overhead rate of 17.8 percent is applied to federal grants, including Pittman-Robertson funds. These assessments are managed through non-budgeted transfers into the general license account from which all expenses are paid.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 173,400 | | | | | 174,224 |
| Vacancy Savings | | | | | (79,871) | | | | | (79,907) |
| Inflation/Deflation | | | | | (445) | | | | | (622) |
| Fixed Costs | | | | | 2,251 | | | | | 2,386 |
| Total Statewide Present Law Adjustments | | | | | \$95,335 | \$96,081 | | | | |
| DP 202 - General Recreation Use of State Lands | | | | | | | | | | |
| | 0.00 | 0 | 460,000 | 0 | 460,000 | 0.00 | 0 | 460,000 | 0 | 460,000 |
| DP 203 - Taxes | | | | | | | | | | |
| | 0.00 | 0 | 27,583 | 6,504 | 34,087 | 0.00 | 0 | 60,118 | 17,042 | 77,160 |
| DP 205 - Public Wildlife Interface Biennial | | | | | | | | | | |
| | 0.00 | 0 | 45,211 | 0 | 45,211 | 0.00 | 0 | (19,789) | 0 | (19,789) |
| DP 206 - Net Client Hunter Use - Restricted | | | | | | | | | | |
| | 0.00 | 0 | 8,770 | 0 | 8,770 | 0.00 | 0 | 8,770 | 0 | 8,770 |
| DP 209 - Internal Service Rate Adjustment | | | | | | | | | | |
| | 0.00 | 0 | 19,098 | 0 | 19,098 | 0.00 | 0 | 19,098 | 0 | 19,098 |
| DP 220 - Restore Block Management | | | | | | | | | | |
| | 2.00 | 0 | 605,478 | 0 | 605,478 | 2.00 | 0 | 605,627 | 0 | 605,627 |
| DP 2001 - Block Management Adjustment | | | | | | | | | | |
| | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 323,237 | (323,237) | 0 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 2.00 | \$0 | \$1,166,140 | \$6,504 | \$1,172,644 | 2.00 | \$0 | \$1,457,061 | (\$306,195) | \$1,150,866 |
| Grand Total All Present Law Adjustments | | | | | \$1,267,979 | \$1,246,947 | | | | |

DP 202 - General Recreation Use of State Lands - The legislature approved an increase in budget authority to compensate the common school trust for recreational use of school lands. The 2003 Legislature enacted SB 130, which replaced the recreational use license for trust land with compensation to the school trust from the department calculated at \$2 per every conservation license sold. The legislation took effect with the March 2004 license year, thus only one payment was made to the School Trust in the base year.

DP 203 - Taxes - The department pays taxes on all land and administrative facilities owned or leased by the department at the same rate as private individuals. The legislature approved increased authority to account for increased tax liabilities.

DP 205 - Public Wildlife Interface Biennial - The legislature approved an adjustment to carry forward the division's existing biennial appropriation for public wildlife interface into the 2007 biennium. No change from the previously approved base budget is being requested. The total biennial amount is \$65,000.

DP 206 - Net Client Hunter Use - Restricted - The legislature approved a biennial appropriation to restore state special revenue funding for the department to analyze the impacts of applications for an increase in net client hunting use by outfitters.

DP 209 - Internal Service Rate Adjustment - The legislature approved a request to adjust vehicle travel costs resulting from inflation and rate increases for the department's internal fleet of vehicles and aircraft. The additional revenue generated would be used to maintain the department's fleet and to replace existing vehicles as needed.

DP 220 - Restore Block Management - The legislature approved a base adjustment of state special revenue to reinstate the one-time only authority granted to this program by the 2003 Legislature.

DP 2001 - Block Management Adjustment - This is a technical adjustment to the block management program to provide for increased state special revenue authority and decreased federal authority. The net impact is zero.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|---|-------------|--------------|-----------------|-----------------|-----------------|-------------|--------------|------------------|-----------------|------------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 225 - PL/PW - HB 235 | | | | | | | | | | |
| 02 | 0.00 | 0 | (13,683) | 0 | (13,683) | 1.00 | 0 | 688,631 | 0 | 688,631 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 02 | 0.00 | 0 | 52,836 | 6,241 | 59,077 | 0.00 | 0 | 128,066 | 16,163 | 144,229 |
| Total | 0.00 | \$0 | \$39,153 | \$6,241 | \$45,394 | 1.00 | \$0 | \$816,697 | \$16,163 | \$832,860 |

DP 225 - PL/PW - HB 235 - The legislature approved funding the recommendations of the private lands/public wildlife committee (PL/PW) contingent upon the passage of HB 235. This provides for temporary seasonal employees in the field services division (1.00 FTE) and 1.00 permanent FTE in the enforcement division.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 142.02 | 1.00 | 3.00 | 146.02 | 1.00 | 3.00 | 146.02 | 146.02 |
| Personal Services | 6,199,430 | 523,650 | 1,482,497 | 8,205,577 | 526,886 | 1,813,755 | 8,540,071 | 16,745,648 |
| Operating Expenses | 3,584,954 | 78,183 | 1,372,528 | 5,035,665 | 70,683 | 1,372,621 | 5,028,258 | 10,063,923 |
| Equipment | 217,165 | 10,000 | 125,000 | 352,165 | 0 | 125,000 | 342,165 | 694,330 |
| Grants | 30,000 | 0 | 0 | 30,000 | 0 | 0 | 30,000 | 60,000 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$10,031,549 | \$611,833 | \$2,980,025 | \$13,623,407 | \$597,569 | \$3,311,376 | \$13,940,494 | \$27,563,901 |
| State/Other Special | 3,635,112 | 193,625 | 568,533 | 4,397,270 | 189,704 | 675,363 | 4,500,179 | 8,897,449 |
| Federal Special | 6,396,437 | 418,208 | 2,411,492 | 9,226,137 | 407,865 | 2,636,013 | 9,440,315 | 18,666,452 |
| Total Funds | \$10,031,549 | \$611,833 | \$2,980,025 | \$13,623,407 | \$597,569 | \$3,311,376 | \$13,940,494 | \$27,563,901 |

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems and for meeting public demand for fishing opportunities and aquatic wildlife stewardship. The division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The program:

- 1) Operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- 2) Regulates angler harvests
- 3) Monitors fish populations
- 4) Provides and maintains adequate public access.

Program Highlights

| Fisheries Division Major Program Highlights | |
|--|---|
| ♦ | The legislature approved \$950,000 for 3.00 FTE and operations to begin fish production at the Fort Peck Hatchery |
| ♦ | \$50,000 was appropriated for the continuation of fishing access enhancement program |
| ♦ | Fisheries technicians for regions 3 (Bozeman) and region 6 (Glasgow) were approved |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Fisheries Division | | | | | |
|-----------------|------------------------------------|---|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 3,635,112 | 36.2% | \$ 4,397,270 | 32.3% | \$ 4,500,179 | 32.3% |
| | 02148 Paddlefish Roe Account | 25,000 | 0.2% | 25,000 | 0.2% | 25,000 | 0.2% |
| | 02409 General License | 3,605,689 | 35.9% | 3,889,326 | 28.5% | 3,989,796 | 28.6% |
| | 02942 Warm Water Fish Stamp | 4,423 | 0.0% | 482,944 | 3.5% | 485,383 | 3.5% |
| 03000 | Total Federal Special Funds | 6,396,437 | 63.8% | 9,226,137 | 67.7% | 9,440,315 | 67.7% |
| | 03097 Fedl Fish(W/B) Wildlife(P/R) | 4,135,302 | 41.2% | 4,577,465 | 33.6% | 4,723,528 | 33.9% |
| | 03403 Misc. Federal Funds | 2,220,375 | 22.1% | 4,606,468 | 33.8% | 4,672,225 | 33.5% |
| | 03404 Overhead | 40,760 | 0.4% | 42,204 | 0.3% | 44,562 | 0.3% |
| Grand Total | | \$ 10,031,549 | 100.0% | \$ 13,623,407 | 100.0% | \$ 13,940,494 | 100.0% |

The division is funded with 67 percent federal revenues, the largest source of which is the Wallup-Breaux (WB) program for sport fish restoration. General license dollars contribute 296 percent of the division's funding. The balance of funding comes from a portion of the division indirect cost rate and proceeds from the sale of paddlefish roe.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 765,004 | | | | | 768,404 |
| Vacancy Savings | | | | (278,576) | | | | | (278,712) |
| Inflation/Deflation | | | | 9,256 | | | | | 6,735 |
| Fixed Costs | | | | 77 | | | | | 98 |
| Total Statewide Present Law Adjustments | | | | \$495,761 | | | | | \$496,525 |
| DP 302 - Lower Yellowstone River Operations | | | | | | | | | |
| 0.00 | 0 | 0 | 11,250 | 11,250 | 0.00 | 0 | 0 | 11,250 | 11,250 |
| DP 304 - Fisheries Field Technician | | | | | | | | | |
| 1.00 | 0 | 15,556 | 46,666 | 62,222 | 1.00 | 0 | 11,798 | 35,396 | 47,194 |
| DP 305 - USFWS Virology Contract | | | | | | | | | |
| 0.00 | 0 | 5,000 | 15,000 | 20,000 | 0.00 | 0 | 5,000 | 15,000 | 20,000 |
| DP 308 - Internal Service Rate Adjustment | | | | | | | | | |
| 0.00 | 0 | 5,650 | 16,950 | 22,600 | 0.00 | 0 | 5,650 | 16,950 | 22,600 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 1.00 | \$0 | \$26,206 | \$89,866 | \$116,072 | 1.00 | \$0 | \$22,448 | \$78,596 | \$101,044 |
| Grand Total All Present Law Adjustments | | | | \$611,833 | | | | | \$597,569 |

DP 302 - Lower Yellowstone River Operations - The legislature approved an increase in and a funding switch for the operations costs associated with the Lower Yellowstone River biologist position. The operation costs will be funded with federal fish Wallup-Breaux funding and general license dollars. The biologist is currently operating with Western Area Power Administration funding, specifically allocated for pallid sturgeon research.

DP 304 - Fisheries Field Technician - The legislature approved funding for fishery technicians who work under the direction of a biologist to perform the day to day field work that is the basis for fisheries management. The field technicians would provide field assistance to monitor and manage the state's fishery resource in regions 3 (0.50 FTE) and 6 (0.50 FTE).

DP 305 - USFWS Virology Contract - The legislature approved state special and federal special revenue to fund the department's contract with the U.S. Fish and Wildlife Service (USFWS) for laboratory support for fish health work that includes all laboratory diagnostics. Virology had been provided free-of-charge by USFWS, but beginning in FY 2006, USFWS will begin charging an estimated \$20,000 for virology services.

DP 308 - Internal Service Rate Adjustment - The legislature approved a request to adjust vehicle travel costs resulting from inflation and rate increases for the department's internal fleet of vehicles and aircraft. The additional revenue generated would be used to maintain the department's fleet and to replace existing vehicles as needed.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|------------------|--------------------|--------------------|-------------|--------------|------------------|--------------------|--------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 301 - Fort Peck Hatchery Operations | | | | | | | | | | |
| 03 | 3.00 | 0 | 477,007 | 0 | 477,007 | 3.00 | 0 | 477,007 | 0 | 477,007 |
| DP 306 - Short Term Federal Authority OTO | | | | | | | | | | |
| 03 | 0.00 | 0 | 0 | 2,250,000 | 2,250,000 | 0.00 | 0 | 0 | 2,250,000 | 2,250,000 |
| DP 320 - Painted Rocks Annual Payment | | | | | | | | | | |
| 03 | 0.00 | 0 | 0 | 22,125 | 22,125 | 0.00 | 0 | 0 | 22,125 | 22,125 |
| DP 325 - Fishing Access Enhancement Program | | | | | | | | | | |
| 03 | 0.00 | 0 | 25,000 | 0 | 25,000 | 0.00 | 0 | 25,000 | 0 | 25,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 03 | 0.00 | 0 | 66,526 | 139,367 | 205,893 | 0.00 | 0 | 173,356 | 363,888 | 537,244 |
| Total | 3.00 | \$0 | \$568,533 | \$2,411,492 | \$2,980,025 | 3.00 | \$0 | \$675,363 | \$2,636,013 | \$3,311,376 |

DP 301 - Fort Peck Hatchery Operations - The legislature approved an increase in the hatchery operations budget to allow the facility to begin fish production and to add 3.0 FTE to staff and run the hatchery at full capacity. Funding for this decision package is warm water fish stamp revenues.

DP 306 - Short Term Federal Authority OTO - The legislature approved \$2.25 million per fiscal year in short-term contract authority for federal funding that becomes available in the interim.

DP 320 - Painted Rocks Annual Payment - The legislature approved federal special revenue for annual payments associated with the Painted Rocks Reservoir. The department renewed an agreement with the Department of Natural Resources and Conservation to release from Painted Rocks Reservoir up to 15,000 acre feet of water per year at the request of FWP in exchange for a fee of \$15,000/year in operation and maintenance, and also an additional amount for any minor repairs necessary at the dam.

DP 325 - Fishing Access Enhancement Program - The legislature approved funding to provide payments to private landowners for allowing public fishing on private property.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

“During the 2007 biennium, if the department obtains federal funding for the operations of the Fort Peck fish hatchery, it must be used to replace state special revenue approved to fund personal services and operational costs of the hatchery.

At the beginning of fiscal year 2006, \$177,700 is transferred from the general license account to the water adjudication fund as payment of water adjudication fees related to water rights held by the department.”

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 101.95 | 0.00 | 4.50 | 106.45 | 0.00 | 5.50 | 107.45 | 107.45 |
| Personal Services | 5,138,378 | 223,725 | 313,765 | 5,675,868 | 222,264 | 591,457 | 5,952,099 | 11,627,967 |
| Operating Expenses | 1,497,122 | 35,336 | 96,139 | 1,628,597 | 25,280 | 99,822 | 1,622,224 | 3,250,821 |
| Equipment | 72,248 | 0 | 0 | 72,248 | 0 | 5,100 | 77,348 | 149,596 |
| Grants | 35,400 | 0 | 0 | 35,400 | 0 | 0 | 35,400 | 70,800 |
| Total Costs | \$6,743,148 | \$259,061 | \$409,904 | \$7,412,113 | \$247,544 | \$696,379 | \$7,687,071 | \$15,099,184 |
| State/Other Special | 6,514,140 | 235,816 | 301,884 | 7,051,840 | 233,614 | 580,921 | 7,328,675 | 14,380,515 |
| Federal Special | 229,008 | 23,245 | 108,020 | 360,273 | 13,930 | 115,458 | 358,396 | 718,669 |
| Total Funds | \$6,743,148 | \$259,061 | \$409,904 | \$7,412,113 | \$247,544 | \$696,379 | \$7,687,071 | \$15,099,184 |

Program Description

The Law Enforcement Division is responsible for ensuring compliance with the department laws and regulations for the protection and preservation of big game animals, fur-bearing animals, fish, game birds, and other wildlife species. It also enforces laws and regulations relative to lands or waters under the jurisdiction and authority of the department such as parks, fishing access sites, and wildlife management areas, as well as those laws and regulations pertaining to boating, snowmobile, and all-terrain vehicle safety and registration. Other duties include administration of special purpose licenses, overseeing the department's licensing agents, and investigating wildlife damage complaints.

Program Highlights

| Law Enforcement Division Major Program Highlights | |
|--|--|
| <ul style="list-style-type: none"> ◆ The legislature provided \$0.4 million to hire two regional investigators ◆ The warden trainee program was reestablished at the biennial cost of \$90,000 ◆ 1.00 FTE for hunting access enhancement support was added as a result of the implementation of recommendations from the Private Lands/ Public Wildlife Committee | |

Funding

The following table shows program funding, by source for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-----------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Enforcement Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 6,514,140 | 96.6% | \$ 7,051,840 | 95.1% | \$ 7,328,675 | 95.3% |
| | 02115 Off-Highway Vehicle Fines | 46,619 | 0.7% | 48,959 | 0.7% | 50,468 | 0.7% |
| | 02329 Snowmobile Fuel Tax-Enforcemnt | 24,046 | 0.4% | 25,095 | 0.3% | 25,473 | 0.3% |
| | 02334 Market Based Combo Sales | 291,809 | 4.3% | 298,582 | 4.0% | 353,407 | 4.6% |
| | 02409 General License | 5,894,844 | 87.4% | 6,366,949 | 85.9% | 6,579,872 | 85.6% |
| | 02411 State Parks Miscellaneous | 75,828 | 1.1% | 134,319 | 1.8% | 137,850 | 1.8% |
| | 02412 Motorboat Fuel Tax | 26,658 | 0.4% | - | - | - | - |
| | 02413 F & G Motorboat Cert Id | 88,375 | 1.3% | 109,313 | 1.5% | 112,201 | 1.5% |
| | 02414 Snowmobile Reg | 65,961 | 1.0% | 68,623 | 0.9% | 69,404 | 0.9% |
| 03000 | Total Federal Special Funds | 229,008 | 3.4% | 360,273 | 4.9% | 358,396 | 4.7% |
| | 03403 Misc. Federal Funds | 229,008 | 3.4% | 360,273 | 4.9% | 358,396 | 4.7% |
| Grand Total | | \$ 6,743,148 | 100.0% | \$ 7,412,113 | 100.0% | \$ 7,687,071 | 100.0% |

The Law Enforcement Division is funded primarily with state special revenue, including the general license account, variable priced non-resident hunting license fees, motorboat certificate fees, motorboat fuel taxes, state parks funds, income from the coal tax trust, and snowmobile and off-highway vehicle registration funds. Federal funds consist primarily of grants from the Coast Guard and require a 50 percent match.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-----------|--------------|---------------|-----------------|-------------|-----------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 238,822 | | | | | | 237,290 |
| Vacancy Savings | | | | (215,097) | | | | | | (215,026) |
| Inflation/Deflation | | | | 114 | | | | | | 58 |
| Fixed Costs | | | | (10) | | | | | | (10) |
| Total Statewide Present Law Adjustments | | | | \$23,829 | | | | | | \$22,312 |
| DP 401 - Warden Overtime | 0.00 | 0 | 194,000 | 6,000 | 200,000 | 0.00 | 0 | 194,000 | 6,000 | 200,000 |
| DP 403 - Bison Hunt Biennial | 0.00 | 0 | 7,733 | 0 | 7,733 | 0.00 | 0 | (2,267) | 0 | (2,267) |
| DP 412 - Internal Service Rate Adjustment | 0.00 | 0 | 27,499 | 0 | 27,499 | 0.00 | 0 | 27,499 | 0 | 27,499 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$0 | \$229,232 | \$6,000 | \$235,232 | 0.00 | \$0 | \$219,232 | \$6,000 | \$225,232 |
| Grand Total All Present Law Adjustments | | | | \$259,061 | | | | | | \$247,544 |

DP 401 - Warden Overtime - The legislature approved a request to maintain current budget levels for warden overtime, since overtime pay does not carry forward.

DP 403 - Bison Hunt Biennial - The legislature approved funding to support enforcement activities related to special bison hunts. The 2003 Legislature provided authority for the department to authorize a bison hunt as a species management tool when specific criteria are met.

DP 412 - Internal Service Rate Adjustment - The legislature approved a request to adjust vehicle travel costs resulting from inflation and rate increases for the department's internal fleet of vehicles and aircraft. The additional revenue generated would be used to maintain the department's fleet and to replace existing vehicles as needed.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|------------------|------------------|------------------|-------------|--------------|------------------|------------------|------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | Total Funds |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | |
| DP 407 - Short Term Federal Authority OTO | | | | | | | | | | |
| 04 | 0.00 | 0 | 0 | 20,000 | 20,000 | 0.00 | 0 | 0 | 20,000 | 20,000 |
| DP 408 - Regional Investigators | | | | | | | | | | |
| 04 | 2.00 | 0 | 120,000 | 0 | 120,000 | 2.00 | 0 | 110,000 | 0 | 110,000 |
| DP 409 - Seasonal Water Safety - Restricted | | | | | | | | | | |
| 04 | 1.50 | 0 | 0 | 71,832 | 71,832 | 1.50 | 0 | 0 | 71,714 | 71,714 |
| DP 420 - Warden Trainee Program | | | | | | | | | | |
| 04 | 1.00 | 0 | 34,436 | 11,479 | 45,915 | 1.00 | 0 | 34,436 | 11,479 | 45,915 |
| DP 425 - PL/PW - HB235 | | | | | | | | | | |
| 04 | 0.00 | 0 | 0 | 0 | 0 | 1.00 | 0 | 57,601 | 0 | 57,601 |
| DP 6010 - 2007 Biennium Pay Plan -HB 447 | | | | | | | | | | |
| 04 | 0.00 | 0 | 147,448 | 4,709 | 152,157 | 0.00 | 0 | 378,884 | 12,265 | 391,149 |
| Total | 4.50 | \$0 | \$301,884 | \$108,020 | \$409,904 | 5.50 | \$0 | \$580,921 | \$115,458 | \$696,379 |

DP 407 - Short Term Federal Authority OTO - The legislature approved \$20,000 per fiscal year in short-term contract authority for federal funding that becomes available during the interim.

DP 408 - Regional Investigators - The legislature approved state special revenue to increase division staffing through the creation of a regional investigator position. The regional investigators will address investigative shortfalls by focusing on serious resource abuse and commercialized wildlife crimes. The 2.00 FTE will be housed in two regional headquarters.

DP 409 - Seasonal Water Safety - Restricted - The legislature approved state special revenue for 1.5 FTE to enhance water safety during peak times of water recreation. As watercraft utilization has increased, so has the congestion and conflict on Montana lakes, rivers and reservoirs.

DP 420 - Warden Trainee Program - The legislature approved state special and federal special revenue for 1.0 FTE as two half-time positions and corresponding operation costs within the warden trainee program. The program will give Montana university students an opportunity to receive warden training and obtain work while attending college.

DP 425 - PL/PW - HB235 - The legislature approved funding the recommendations of the private lands/public wildlife committee (PL/PW) contingent upon the passage of HB 235. This provides for temporary seasonal employees in the field services division (1.00 FTE) and 1.00 permanent FTE in the enforcement division.

DP 6010 - 2007 Biennium Pay Plan -HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However his authority to do so is questioned and may be challenged through legal action.

“Warden trainee is restricted to Montana residents enrolled within the Montana university system.

The department shall present an annual written report by September 30 to the legislative fiscal division and the legislative finance committee regarding the implementation of the regional investigation positions and report on the level of restitution and fines collected.”

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 101.43 | 1.50 | 0.50 | 103.43 | 1.50 | 0.50 | 103.43 | 103.43 |
| Personal Services | 4,836,183 | 308,218 | 174,998 | 5,319,399 | 307,995 | 399,434 | 5,543,612 | 10,863,011 |
| Operating Expenses | 2,725,472 | 319,926 | 608,052 | 3,653,450 | 319,984 | 468,500 | 3,513,956 | 7,167,406 |
| Equipment | 41,268 | 0 | 47,000 | 88,268 | 0 | 0 | 41,268 | 129,536 |
| Grants | 133,847 | 0 | 0 | 133,847 | 0 | 0 | 133,847 | 267,694 |
| Total Costs | \$7,736,770 | \$628,144 | \$830,050 | \$9,194,964 | \$627,979 | \$867,934 | \$9,232,683 | \$18,427,647 |
| State/Other Special | 4,028,187 | 350,552 | 210,338 | 4,589,077 | 350,190 | 250,489 | 4,628,866 | 9,217,943 |
| Federal Special | 3,708,583 | 277,592 | 619,712 | 4,605,887 | 277,789 | 617,445 | 4,603,817 | 9,209,704 |
| Total Funds | \$7,736,770 | \$628,144 | \$830,050 | \$9,194,964 | \$627,979 | \$867,934 | \$9,232,683 | \$18,427,647 |

Program Description

The Wildlife Division is responsible for the department's statewide Wildlife Management Program, which enhances the use of Montana renewable wildlife resources for public benefit. It protects, regulates, and perpetuates wildlife populations with habitat management and regulated harvest. Through promotion of land management practices, wildlife habitat areas are maintained and enhanced. In addition, the program provides wildlife recreational opportunities to the public, including non-game wildlife, and provides public information regarding conservation of wildlife populations and wildlife habitats. The program manages animals legislatively categorized as big game, small game, furbearers, and threatened and endangered species.

Program Highlights

| Wildlife Division Major Program Highlights | |
|---|--|
| ♦ | Passage of SB 461 added \$50,000 of federal funds to radio collar wolves and provide receivers to stock owners |
| ♦ | The legislature approved \$0.5 million to enhance the wildlife survey process |
| ♦ | Restored previous reductions to the black bear harvest assessment program |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|------------------------------------|-----------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| | | Wildlife Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 4,028,187 | 52.1% | \$ 4,589,077 | 49.9% | \$ 4,628,866 | 50.1% |
| | 02061 Nongame Wildlife Account | - | - | 44,159 | 0.5% | 45,278 | 0.5% |
| | 02085 Waterfowl Stamp Spec. Rev. | 23,666 | 0.3% | 50,054 | 0.5% | 50,054 | 0.5% |
| | 02086 Mountain Sheep Account | 79,368 | 1.0% | 79,368 | 0.9% | 79,368 | 0.9% |
| | 02112 Moose Auction | 14,357 | 0.2% | 20,107 | 0.2% | 20,107 | 0.2% |
| | 02113 Upland Game Bird Habitat | 54,871 | 0.7% | 108,067 | 1.2% | 109,757 | 1.2% |
| | 02409 General License | 3,608,499 | 46.6% | 3,969,388 | 43.2% | 4,051,076 | 43.9% |
| | 02469 Habitat Trust Interest | 247,426 | 3.2% | 295,934 | 3.2% | 251,226 | 2.7% |
| | 02559 Mule Deer Auction | - | - | 6,000 | 0.1% | 6,000 | 0.1% |
| | 02560 Elk Auction | - | - | 16,000 | 0.2% | 16,000 | 0.2% |
| 03000 | Total Federal Special Funds | 3,708,583 | 47.9% | 4,605,887 | 50.1% | 4,603,817 | 49.9% |
| | 03097 Fedl Fish(W/B) Wildlife(P/R) | 3,572,839 | 46.2% | 4,010,439 | 43.6% | 4,003,773 | 43.4% |
| | 03403 Misc. Federal Funds | 72,858 | 0.9% | 532,058 | 5.8% | 536,654 | 5.8% |
| | 03404 Overhead | 62,886 | 0.8% | 63,390 | 0.7% | 63,390 | 0.7% |
| Grand Total | | <u>\$ 7,736,770</u> | <u>100.0%</u> | <u>\$ 9,194,964</u> | <u>100.0%</u> | <u>\$ 9,232,683</u> | <u>100.0%</u> |

The Wildlife Division state special revenue consists primarily of hunting and fishing license revenue from the general license account. Earmarked fees support all of the Upland Game Bird Habitat Enhancement Program and the Wildlife Habitat Program operations. Other specialized programs are funded by revenue from the waterfowl stamp and auction receipts. Federal funding consists of Pittman-Robertson funds that require a 25 percent non-federal match that is typically met with funds from the general license account.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|-----------------|------------------|--------------------|------------------|-----------------------|-----------------|------------------|--------------------|------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 442,276 | | | | | 442,085 |
| Vacancy Savings | | | | (211,135) | | | | | (211,131) |
| Inflation/Deflation | | | | (1,547) | | | | | (1,525) |
| Total Statewide Present Law Adjustments | | | | \$229,594 | | | | | \$229,429 |
| DP 501 - Elk, Moose, and Mule Deer Auctions | | | | | | | | | |
| 0.00 | 0 | 27,750 | 0 | 27,750 | 0.00 | 0 | 27,750 | 0 | 27,750 |
| DP 502 - Enhanced Wildlife Surveys (Restricted/OTO) | | | | | | | | | |
| 1.00 | 0 | 125,000 | 125,000 | 250,000 | 1.00 | 0 | 125,000 | 125,000 | 250,000 |
| DP 507 - Increase for Migratory Bird Program Funds | | | | | | | | | |
| 0.00 | 0 | 26,388 | 0 | 26,388 | 0.00 | 0 | 26,388 | 0 | 26,388 |
| DP 510 - Internal Service Rate Adjustment | | | | | | | | | |
| 0.00 | 0 | 13,188 | 12,174 | 25,362 | 0.00 | 0 | 13,188 | 12,174 | 25,362 |
| DP 520 - Black Bear Population and Harvest Assessment - OTO | | | | | | | | | |
| 0.50 | 0 | 17,263 | 51,787 | 69,050 | 0.50 | 0 | 17,263 | 51,787 | 69,050 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 1.50 | \$0 | \$209,589 | \$188,961 | \$398,550 | 1.50 | \$0 | \$209,589 | \$188,961 | \$398,550 |
| Grand Total All Present Law Adjustments | | | | \$628,144 | | | | | \$627,979 |

DP 501 - Elk, Moose, and Mule Deer Auctions - The legislature approved state special revenue to allow a conservation organization to auction elk, moose and mule deer licenses. Accounting standards require the department to record the 10 percent commission earned from the sale of licenses as expenditures in accounting records.

DP 502 - Enhanced Wildlife Surveys (Restricted/OTO) - The legislature approved a one-time only restricted appropriation for an increase in operational costs for completing statutorily required wildlife surveys. The proposal adds 1.00 FTE to provide pilot services to conduct aerial surveys to maximize aircraft utilization. This activity is used to determine game animal population and the appropriate number of elk, deer, and antelope that can be viably sustained.

DP 507 - Increase for Migratory Bird Program Funds - The legislature approved state special revenue to fund an increase in operational expenses for the implementation of the wetlands program under the Wetland Legacy Program. The Migratory Bird Stamp revenue increased because of the increase in non-resident fees during the 2001 legislative session.

DP 510 - Internal Service Rate Adjustment - The legislature approved a request to adjust vehicle travel costs resulting from inflation and rate increases for the department's internal fleet of vehicles and aircraft. The additional revenue generated would be used to maintain the department's fleet and to replace existing vehicles as needed.

DP 520 - Black Bear Population and Harvest Assessment - OTO - The legislature re-instated 0.50 FTE and operations cost related to this current research project. This funding was removed from the budget by the 2003 Legislature. The project was initiated to assess the impacts of hunting mortality on black bear population dynamics and to evaluate the validity of the harvest criteria.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|------------------|------------------|------------------|-------------|--------------|------------------|------------------|------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 504 - Mountain Lion Research OTO | | | | | | | | | | |
| 05 | 0.50 | 0 | 40,000 | 120,540 | 160,540 | 0.50 | 0 | 0 | 0 | 0 |
| DP 505 - Restore Nongame Wildlife Funds- Restricted | | | | | | | | | | |
| 05 | 0.00 | 0 | 43,500 | 0 | 43,500 | 0.00 | 0 | 43,500 | 0 | 43,500 |
| DP 506 - Equipment OTO | | | | | | | | | | |
| 05 | 0.00 | 0 | 47,000 | 0 | 47,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 508 - Short Term Federal Authority OTO | | | | | | | | | | |
| 05 | 0.00 | 0 | 0 | 400,000 | 400,000 | 0.00 | 0 | 0 | 400,000 | 400,000 |
| DP 525 - Wolf Radio Collars- SB461 | | | | | | | | | | |
| 05 | 0.00 | 0 | 0 | 25,000 | 25,000 | 0.00 | 0 | 0 | 25,000 | 25,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 05 | 0.00 | 0 | 79,838 | 74,172 | 154,010 | 0.00 | 0 | 206,989 | 192,445 | 399,434 |
| Total | 0.50 | \$0 | \$210,338 | \$619,712 | \$830,050 | 0.50 | \$0 | \$250,489 | \$617,445 | \$867,934 |

DP 504 - Mountain Lion Research OTO - The legislature approved one-time only state special revenue to complete mountain lion research. This proposal includes the continuation of 0.5 FTE to assist in the trapping and survey operations occurring October through March.

DP 505 - Restore Nongame Wildlife Funds- Restricted - The Montana state tax return provides residents with the opportunity to voluntarily donate funds for use in conserving the state's non game wildlife. The legislature approved state special revenue for increased operations in the nongame program.

DP 506 - Equipment OTO - The legislature approved one-time only state special revenue for replacement equipment. This purchase would be made in FY 2006.

DP 508 - Short Term Federal Authority OTO - The legislature approved \$400,000 per fiscal year in short-term contract authority for federal funding that may become available during the interim.

DP 525 - Wolf Radio Collars- SB461 - The legislature approved federal authority to provide for the collaring of wolf packs that are near livestock or a population center.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However his authority to do so is questioned and may be challenged through legal action.

"The department shall prepare a written report on the outcome of enhanced wildlife surveys, which must be made available to the environmental quality council prior to the 60th legislative session."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 97.26 | 5.50 | 0.00 | 102.76 | 5.50 | 0.00 | 102.76 | 102.76 |
| Personal Services | 3,638,192 | 173,366 | 129,847 | 3,941,405 | 175,305 | 339,423 | 4,152,920 | 8,094,325 |
| Operating Expenses | 1,666,096 | 955,586 | 57,768 | 2,679,450 | 956,021 | 57,749 | 2,679,866 | 5,359,316 |
| Equipment | 448,452 | (407) | 0 | 448,045 | (357,407) | 0 | 91,045 | 539,090 |
| Grants | 380,782 | 88,787 | 0 | 469,569 | 88,787 | 0 | 469,569 | 939,138 |
| Transfers | 89,317 | 90,700 | 0 | 180,017 | 90,700 | 0 | 180,017 | 360,034 |
| Total Costs | \$6,222,839 | \$1,308,032 | \$187,615 | \$7,718,486 | \$953,406 | \$397,172 | \$7,573,417 | \$15,291,903 |
| State/Other Special | 5,878,656 | 1,280,471 | 118,362 | 7,277,489 | 925,845 | 313,627 | 7,118,128 | 14,395,617 |
| Federal Special | 344,183 | 27,561 | 69,253 | 440,997 | 27,561 | 83,545 | 455,289 | 896,286 |
| Total Funds | \$6,222,839 | \$1,308,032 | \$187,615 | \$7,718,486 | \$953,406 | \$397,172 | \$7,573,417 | \$15,291,903 |

Program Description

The Conservation Education Division coordinates the department's information and education programs. This coordination includes the distribution of public information through news releases; audio-visual materials; brochures and public services announcements; production of hunting; fishing and trapping regulations and the coordination of hunter, bow-hunter, snowmobile, boat, off-highway vehicle, and youth education and safety programs. In addition, the division manages the department's wild animal rehabilitation center, the Montana Wildlife Center.

Program Highlights

| Parks Division | |
|--------------------------|--|
| Major Program Highlights | |
| ♦ | The capitol grounds maintenance program was transferred to the Department of Administration |
| ♦ | The legislature provided present law adjustments of \$2.3 million for maintenance to parks and fishing access sites funded through the collections of light vehicle fees |
| ♦ | Approved federal funds to maintain DNRC owned recreational access sites |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|-------------------------------------|-----------------------|---------------|---------------------|---------------|---------------------|---------------|
| | | Parks Division | | | | | |
| Program Funding | | Base | % of Base | Budget | % of Budget | Budget | % of Budget |
| | | FY 2004 | FY 2004 | FY 2006 | FY 2006 | FY 2007 | FY 2007 |
| 02000 | Total State Special Funds | \$ 5,878,656 | 94.5% | \$ 7,277,489 | 94.3% | \$ 7,118,128 | 94.0% |
| | 02213 Off Highway Vehicle Gas Tax | 28,203 | 0.5% | 28,775 | 0.4% | 29,703 | 0.4% |
| | 02239 Off Hwy Vehicle Acct (Parks) | 26,073 | 0.4% | 26,554 | 0.3% | 27,337 | 0.4% |
| | 02331 Motorboat Certification-Parks | 21,435 | 0.3% | 21,435 | 0.3% | 21,435 | 0.3% |
| | 02332 Snowmobile Registration-Parks | 186,550 | 3.0% | 80,572 | 1.0% | 81,500 | 1.1% |
| | 02333 Fishing Access Site Maint | 124,506 | 2.0% | 177,764 | 2.3% | 183,040 | 2.4% |
| | 02407 Snowmobile Fuel Tax | 648,164 | 10.4% | 892,739 | 11.6% | 539,301 | 7.1% |
| | 02408 Coal Tax Trust Account | 997,832 | 16.0% | 856,938 | 11.1% | 897,177 | 11.8% |
| | 02409 General License | 948,362 | 15.2% | 1,009,184 | 13.1% | 1,043,838 | 13.8% |
| | 02411 State Parks Miscellaneous | 1,918,132 | 30.8% | 2,770,781 | 35.9% | 2,841,513 | 37.5% |
| | 02412 Motorboat Fuel Tax | 919,134 | 14.8% | 1,222,136 | 15.8% | 1,257,855 | 16.6% |
| | 02558 Fas - Vehicle Registration | 60,265 | 1.0% | 190,611 | 2.5% | 195,429 | 2.6% |
| 03000 | Total Federal Special Funds | 344,183 | 5.5% | 440,997 | 5.7% | 455,289 | 6.0% |
| | 03097 Fedl Fish(W/B) Wildlife(P/R) | 235,572 | 3.8% | 262,263 | 3.4% | 273,013 | 3.6% |
| | 03403 Misc. Federal Funds | - | - | 62,562 | 0.8% | 66,104 | 0.9% |
| | 03404 Overhead | 108,611 | 1.7% | 116,172 | 1.5% | 116,172 | 1.5% |
| Grand Total | | <u>\$ 6,222,839</u> | <u>100.0%</u> | <u>\$ 7,718,486</u> | <u>100.0%</u> | <u>\$ 7,573,417</u> | <u>100.0%</u> |

The largest revenue source is the \$4.00 registration fee per vehicle charged in lieu of resident day use fees at state park sites, followed by motorboat fuel taxes, parks coal tax trust earnings, the general license account, snowmobile fuel taxes, fishing access maintenance and acquisition fee revenues, snowmobile registration fees, and off-highway vehicle registration fees.

The registration fee is allocated as follows:

- \$3.50 for park operations and maintenance
- \$0.25 for fishing access site maintenance
- \$0.25 for support of Virginia City and Nevada City, which is transferred to the Department of Commerce

The division receives the following allocations of the gasoline dealer's license taxes:

- Nine-tenths of one percent for maintenance of parks with motorboat use
- One-eighth of one percent for off-highway vehicle safety, repair of off-highway vehicle damage, and facility development
- Fifteen-twenty-eighths of one percent for snowmobile safety, facility development, enforcement and control of noxious weeds.

Of the coal severance tax revenues, 1.27 percent is deposited into a non-expendable trust, with the interest from the trust allocated for maintenance at state parks and historic sites.

The general license account and earmarked fishing fees are used to maintain fishing access sites.

Federal funding sources include Wallop-Breaux, National Recreational Trails, the Land and Water Conservation fund, and miscellaneous federal revenues. These federal funding sources require a match of 20 to 50 percent.

The department receives 6.5 percent of the accommodation tax collections for the maintenance of state parks. However, since the money is appropriated through statute, it is not included in HB2.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|-----------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 139,232 | | | | | 141,480 | |
| Vacancy Savings | | | | (151,095) | | | | | (151,186) | |
| Inflation/Deflation | | | | (307) | | | | | 148 | |
| Total Statewide Present Law Adjustments | | | | (\$12,170) | | | | | (\$9,558) | |
| DP 601 - Equipment Reduction | 0.00 | 0 | (24,607) | 0 | (24,607) | 0.00 | 0 | (24,607) | 0 | (24,607) |
| DP 602 - Restore Land & Water Conservation Program Funds | 0.00 | 0 | 0 | 7,561 | 7,561 | 0.00 | 0 | 0 | 7,561 | 7,561 |
| DP 604 - Restore Park Field Maintenance & Operations | 2.50 | 0 | 917,422 | 0 | 917,422 | 2.50 | 0 | 917,335 | 0 | 917,335 |
| DP 605 - FAS Base Maintenance and Operations | 3.00 | 0 | 216,871 | 20,000 | 236,871 | 3.00 | 0 | 216,720 | 20,000 | 236,720 |
| DP 606 - Community Service | 0.00 | 0 | 38,000 | 0 | 38,000 | 0.00 | 0 | 38,000 | 0 | 38,000 |
| DP 607 - Snowmobile Groomer Replacement - Biennial | 0.00 | 0 | 24,200 | 0 | 24,200 | 0.00 | 0 | (332,800) | 0 | (332,800) |
| DP 608 - Snowmobile Grants & Operations | 0.00 | 0 | 107,349 | 0 | 107,349 | 0.00 | 0 | 107,349 | 0 | 107,349 |
| DP 610 - Internal Service Rate Adjustment | 0.00 | 0 | 13,406 | 0 | 13,406 | 0.00 | 0 | 13,406 | 0 | 13,406 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 5.50 | \$0 | \$1,292,641 | \$27,561 | \$1,320,202 | 5.50 | \$0 | \$935,403 | \$27,561 | \$962,964 |
| Grand Total All Present Law Adjustments | | | | \$1,308,032 | | | | | \$953,406 | |

DP 601 - Equipment Reduction - The legislature approved a reduction in state special revenue from the base budget, as a one-time mower purchase was made in FY 2004.

DP 602 - Restore Land & Water Conservation Program Funds - The legislature approved a base adjustment of federal special revenue to administer the land and water community grants program. The Land and Water Conservation Fund (LWCF) passes federal monies to local communities through the Parks Division budget to build ball fields, parks, playgrounds, and trails. The administration portion of this program includes communications, grant application guidance, grant tracking and record keeping, completed project review and site inspections.

DP 604 - Restore Park Field Maintenance & Operations - The legislature approved an adjustment of state special revenue to annualize the optional \$3.50 fee on vehicle registrations to fund state park operations and maintenance. The fee took effect January 1, 2004, halfway through a fiscal year. Subsequently, base year expenditures only reflected half of a fiscal year value.

DP 605 - FAS Base Maintenance and Operations - The legislature approved an adjustment in state special revenue to annualize the optional \$0.25 fee on vehicle registrations to fund fishing access site operations and maintenance. The fee took effect January 1, 2004, halfway through a fiscal year. Subsequently, base year expenditures only reflected half of a fiscal year value.

DP 606 - Community Service - The legislature approved state special revenue to meet unplanned needs in supervising Montana Conservation Corps, volunteer groups and Aspen Youth Alternative crews. Volunteer and youth groups are used to complete special projects in place of regular maintenance crews and park staff. These park projects involve cave cleaning at Lewis and Clark Caverns, park cleanup day at Bannack, trail maintenance at Makoshika, and other projects.

DP 607 - Snowmobile Groomer Replacement - Biennial - The legislature approved a biennial appropriation of state special revenue for replacement snowmobile groomer equipment. Local snowmobile clubs use grants distributed by the department to purchase snowmobile grooming equipment.

DP 608 - Snowmobile Grants & Operations - The legislature approved state special revenue to restore funding for the maintenance of snowmobile trails by local snowmobile clubs statewide. Local snowmobile clubs use grants distributed by the department to groom snowmobile trails and to maintain snowmobile grooming equipment.

DP 610 - Internal Service Rate Adjustment - The legislature approved a request to adjust vehicle travel costs resulting from inflation and rate increases for the department’s internal fleet of vehicles and aircraft. The additional revenue generated would be used to maintain the department’s fleet and to replace existing vehicles as needed.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 603 - Short Term Federal Authority OTO | | | | | | | | | | |
| 06 | 0.00 | 0 | 0 | 35,000 | 35,000 | 0.00 | 0 | 0 | 35,000 | 35,000 |
| DP 620 - Maintenance of DNRC sites | | | | | | | | | | |
| 06 | 0.00 | 0 | (2,657) | 25,425 | 22,768 | 0.00 | 0 | (2,786) | 25,535 | 22,749 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 06 | 0.00 | 0 | 121,019 | 8,828 | 129,847 | 0.00 | 0 | 316,413 | 23,010 | 339,423 |
| Total | 0.00 | \$0 | \$118,362 | \$69,253 | \$187,615 | 0.00 | \$0 | \$313,627 | \$83,545 | \$397,172 |

DP 603 - Short Term Federal Authority OTO - The legislature approved short-term contract authority for projects using federal funding. FWP expects a contract with the USFS for operation of the Smith River sites in FY 2006 and 2007.

DP 620 - Maintenance of DNRC sites - The legislature approved federal special revenue to allow FWP to take over management of fourteen DNRC owned access sites in Northwest Montana. DNRC contends that these fourteen sites are not properly cared for and are being degraded with unmanaged recreational use. DNRC determined that to maintain the value of the property, reduce environmental impacts and continue public access, recreational management is needed. DNRC contends that FWP is better suited to provide these services.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Program Description

23-1-105 (5) MCA authorized the Parks Division to establish an enterprise fund (fund 06068) for the purpose of managing state park visitor services revenue. The fund is used by the department to provide inventory through purchase, production, or donation and for the sale of educational, commemorative, and interpretive merchandise and other related goods and services at department sites and facilities. The fund was established primarily to better manage parks visitor centers that sell books at parks like Ulm Pishkun, Makoshika, and Chief Plenty Coups as well as parks that sell items like firewood. Monies generated go back into the purchase of inventory and also the improvement of visitor services in state parks and the department overall. In FY 2004 this fund accounted for the following monies: \$78,374 of earned revenue, \$54,206 of expenditures and a fund balance in the amount of \$40,588.

Proprietary Revenues and Expenses

Revenues are generated by the sales of merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include office supplies, merchandising materials, and the purchase of inventory to replenish stock. As the program develops, the 60-day working capital requirement would provide sufficient cash to fund on-going operations of the program. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is replenished.

Proprietary Rate Explanation

The enterprise fund applies a markup rate of no less than 40 percent on goods purchased for resale to ensure sufficient revenues to replenish stock.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 24.89 | 0.00 | 1.16 | 26.05 | 0.00 | 1.16 | 26.05 | 26.05 |
| Personal Services | 1,252,129 | 61,978 | 71,347 | 1,385,454 | 62,297 | 135,104 | 1,449,530 | 2,834,984 |
| Operating Expenses | 1,261,359 | 19,780 | 25,764 | 1,306,903 | (145) | 77,292 | 1,338,506 | 2,645,409 |
| Equipment | 6,900 | 0 | 0 | 6,900 | 0 | 0 | 6,900 | 13,800 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 146,236 | 50,000 | 0 | 196,236 | (96,236) | 0 | 50,000 | 246,236 |
| Total Costs | \$2,666,624 | \$131,758 | \$97,111 | \$2,895,493 | (\$34,084) | \$212,396 | \$2,844,936 | \$5,740,429 |
| State/Other Special | 1,933,336 | 146,425 | 90,923 | 2,170,684 | (19,417) | 196,319 | 2,110,238 | 4,280,922 |
| Federal Special | 733,288 | (14,667) | 6,188 | 724,809 | (14,667) | 16,077 | 734,698 | 1,459,507 |
| Total Funds | \$2,666,624 | \$131,758 | \$97,111 | \$2,895,493 | (\$34,084) | \$212,396 | \$2,844,936 | \$5,740,429 |

Program Description

The Conservation Education Division coordinates the department's information and education programs. This coordination includes the distribution of public information through news releases; audio-visual materials; brochures and public services announcements; production of hunting; fishing and trapping regulations and the coordination of hunter, bow-hunter, snowmobile, boat, off-highway vehicle, and youth education and safety programs. In addition, the division manages the department's wild animal rehabilitation center, the Montana Wildlife Center.

Program Highlights

| Conservation Education Division Major Program Highlights | |
|---|---|
| ♦ The legislature: | <ul style="list-style-type: none"> • Approved \$165,000 and 1.16 FTE for the educational center to be located at the wildlife center • Increased the shooting range grants by \$100,000 |

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

| Program Funding Table Conservation Education Division | | | | | | | |
|--|------------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 1,933,336 | 72.5% | \$ 2,170,684 | 75.0% | \$ 2,110,238 | 74.2% |
| | 02328 Ohv Gas Tax - Con Ed | 9,529 | 0.4% | 11,685 | 0.4% | 11,932 | 0.4% |
| | 02330 Snowmobile Fuel Tax-Con Ed | 56,179 | 2.1% | 60,467 | 2.1% | 62,011 | 2.2% |
| | 02408 Coal Tax Trust Account | 47,067 | 1.8% | 48,093 | 1.7% | 49,738 | 1.7% |
| | 02409 General License | 1,820,561 | 68.3% | 2,050,439 | 70.8% | 1,986,557 | 69.8% |
| 03000 | Total Federal Special Funds | 733,288 | 27.5% | 724,809 | 25.0% | 734,698 | 25.8% |
| | 03097 Fedl Fish(W/B) Wildlife(P/R) | 636,716 | 23.9% | 642,201 | 22.2% | 650,977 | 22.9% |
| | 03403 Misc. Federal Funds | 46,624 | 1.7% | 32,660 | 1.1% | 33,773 | 1.2% |
| | 03404 Overhead | 3,702 | 0.1% | 3,702 | 0.1% | 3,702 | 0.1% |
| | 03408 State Wildlife Grants | 46,246 | 1.7% | 46,246 | 1.6% | 46,246 | 1.6% |
| Grand Total | | \$ 2,666,624 | 100.0% | \$ 2,895,493 | 100.0% | \$ 2,844,936 | 100.0% |

The largest funding source in the Conservation Education Division is the general license account. Other state special revenue sources are interest from the coal tax trust account, and snowmobile and off-highway fuel taxes. Fuel taxes are dedicated revenue sources for snowmobile and off highway vehicle education programs. Federal funds are primarily Pittman-Robertson and Wallop-Breaux funds derived from federal excise taxes on sporting rifles, ammunition, and fishing equipment, and require a 25 percent match in non-federal funds.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|------------------|-----------------------|-----------------|------------------|--------------------|-------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 116,733 | | | | | 117,064 |
| Vacancy Savings | | | | (54,755) | | | | | (54,767) |
| Inflation/Deflation | | | | (2,336) | | | | | (2,261) |
| Fixed Costs | | | | (1,000) | | | | | (1,000) |
| Total Statewide Present Law Adjustments | | | | \$58,642 | | | | | \$59,036 |
| DP 802 - Shooting Range Grants Biennial | | | | | | | | | |
| 0.00 | 0 | 17,801 | 0 | 17,801 | 0.00 | 0 | (148,435) | 0 | (148,435) |
| DP 804 - OHV Information & Education | | | | | | | | | |
| 0.00 | 0 | 2,000 | 0 | 2,000 | 0.00 | 0 | 2,000 | 0 | 2,000 |
| DP 805 - Snowmobile Information & Education | | | | | | | | | |
| 0.00 | 0 | 3,315 | 0 | 3,315 | 0.00 | 0 | 3,315 | 0 | 3,315 |
| DP 820 - Increase Shooting Range Grants | | | | | | | | | |
| 0.00 | 0 | 50,000 | 0 | 50,000 | 0.00 | 0 | 50,000 | 0 | 50,000 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$73,116 | \$0 | \$73,116 | 0.00 | \$0 | (\$93,120) | \$0 | (\$93,120) |
| Grand Total All Present Law Adjustments | | | | \$131,758 | | | | | (\$34,084) |

DP 802 - Shooting Range Grants Biennial - The legislature approved a biennial state special revenue appropriation for the administration of the shooting range grants program. Grants are provided to local governments, school districts, private shooting clubs, and nonprofit organizations, and require a fifty percent in-kind or cash match.

DP 804 - OHV Information & Education - The legislature approved a state special revenue adjustment for off-highway vehicle (OHV) fuel taxes for the OVH educational programs, as printing expenses anticipated in FY 2004 were not incurred due to delays in production.

DP 805 - Snowmobile Information & Education - The legislature approved an adjustment in state special revenue for snowmobile fuel taxes, as requests for printed trail maps were less than anticipated in FY 2004. Demand is anticipated to be at the previous level in future years.

DP 820 - Increase Shooting Range Grants - The legislature approved an increase of \$50,000 of state special revenue per year of the biennium for shooting range grants. The funds are general license dollars transferred from the Administration and Finance Division.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|------|--------------|---------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 801 - The Wildlife Center | | | | | | | | | | |
| 08 | 1.16 | 0 | 57,157 | 0 | 57,157 | 1.16 | 0 | 108,645 | 0 | 108,645 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 08 | 0.00 | 0 | 33,766 | 6,188 | 39,954 | 0.00 | 0 | 87,674 | 16,077 | 103,751 |
| Total | 1.16 | \$0 | \$90,923 | \$6,188 | \$97,111 | 1.16 | \$0 | \$196,319 | \$16,077 | \$212,396 |

DP 801 - The Wildlife Center - The legislature approved state special and federal special revenue to support 1.17 FTE and daily operations of an education center to be located at the Montana Wildlife Center at Spring Meadow Lake State Park in Helena. The department and private foundation partners are developing the education component of the wildlife center.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 55.97 | 0.25 | 1.00 | 57.22 | 0.25 | 1.00 | 57.22 | 57.22 |
| Personal Services | 2,718,390 | 38,753 | 135,812 | 2,892,955 | 36,309 | 274,278 | 3,028,977 | 5,921,932 |
| Operating Expenses | 1,160,314 | 25,969 | 3,012,500 | 4,198,783 | 16,107 | 7,900 | 1,184,321 | 5,383,104 |
| Equipment | 14,063 | 0 | 0 | 14,063 | 0 | 0 | 14,063 | 28,126 |
| Grants | 69,389 | 0 | 0 | 69,389 | 0 | 0 | 69,389 | 138,778 |
| Total Costs | \$3,962,156 | \$64,722 | \$3,148,312 | \$7,175,190 | \$52,416 | \$282,178 | \$4,296,750 | \$11,471,940 |
| State/Other Special | 2,794,776 | 195,771 | 319,196 | 3,309,743 | 208,734 | 206,266 | 3,209,776 | 6,519,519 |
| Federal Special | 1,167,380 | (131,049) | 2,829,116 | 3,865,447 | (156,318) | 75,912 | 1,086,974 | 4,952,421 |
| Total Funds | \$3,962,156 | \$64,722 | \$3,148,312 | \$7,175,190 | \$52,416 | \$282,178 | \$4,296,750 | \$11,471,940 |

Program Description

The Department Management Division is responsible for:

- 1) Overall department direction regarding policy, planning, program development, guidelines, and budgets
- 2) Serving as a liaison with the Governor's Office and the legislature
- 3) Interaction with the Fish, Wildlife and Parks Commission
- 4) Decision-making for key resource activities affecting the department
- 5) Supervision of the seven divisions that provide program development and staff support
- 6) Supervision of the seven regional offices that are responsible for program implementation
- 7) Legal services for the department
- 8) Serving as a liaison with Montana's Indian tribes and with other state and federal agencies

Program Highlights

| Department Management Division Major Program Highlights | |
|--|---|
| ♦ | \$0.2 million from the general license account was appropriated to provide partial match to \$2.8 million in federal funding for the state wildlife grant program |
| ♦ | A reduction of 0.75 FTE occurred through the elimination of 1.00 FTE, FWP foundation manager, and the approval of 0.25 FTE to act as a liaison to the foundation |
| ♦ | 1.00 FTE was approved to provide content management to the FWP website |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Department Management | | | | | |
|-----------------|-----------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 2,794,776 | 70.5% | \$ 3,309,743 | 46.1% | \$ 3,209,776 | 74.7% |
| | 02409 General License | 2,794,776 | 70.5% | 3,309,743 | 46.1% | 3,209,776 | 74.7% |
| 03000 | Total Federal Special Funds | 1,167,380 | 29.5% | 3,865,447 | 53.9% | 1,086,974 | 25.3% |
| | 03403 Misc. Federal Funds | 14,800 | 0.4% | - | - | - | - |
| | 03404 Overhead | 1,152,580 | 29.1% | 1,065,447 | 14.8% | 1,086,974 | 25.3% |
| | 03408 State Wildlife Grants | - | - | 2,800,000 | 39.0% | - | - |
| Grand Total | | \$ 3,962,156 | 100.0% | \$ 7,175,190 | 100.0% | \$ 4,296,750 | 100.0% |

The Department Management Division is funded from the general license account and revenues received through applying an assessment to federal grants and non-federal account to recover overhead costs to fund services provided to other divisions within the department. The assessment rate for the 2007 biennium from non-federal sources is 10.8 percent for operations and 3.5 percent for capital. The federal rate is negotiated on an annual basis. The current rate for federal funds is 17.8 percent.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-----------------|-------------|--------------|---------------|-----------------|-----------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 137,430 | | | | | 134,891 |
| Vacancy Savings | | | | (114,236) | | | | | (114,130) |
| Inflation/Deflation | | | | 4,727 | | | | | 3,089 |
| Fixed Costs | | | | (25) | | | | | (25) |
| Total Statewide Present Law Adjustments | | | | \$27,896 | | | | | \$23,825 |
| DP 901 - Commission Expense | | | | | | | | | |
| 0.00 | 0 | 16,000 | 0 | 16,000 | 0.00 | 0 | 16,000 | 0 | 16,000 |
| DP 904 - Statute Book Printing | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | (8,040) | 0 | (8,040) |
| DP 910 - Litigation Expenses | | | | | | | | | |
| 1.00 | 0 | 72,657 | 0 | 72,657 | 1.00 | 0 | 72,508 | 0 | 72,508 |
| DP 920 - Eliminate funding for FWP Foundation Director | | | | | | | | | |
| (1.00) | 0 | (67,342) | 0 | (67,342) | (1.00) | 0 | (67,342) | 0 | (67,342) |
| DP 930 - Liaison to FWP Foundation | | | | | | | | | |
| 0.25 | 0 | 15,511 | 0 | 15,511 | 0.25 | 0 | 15,465 | 0 | 15,465 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.25 | \$0 | \$36,826 | \$0 | \$36,826 | 0.25 | \$0 | \$28,591 | \$0 | \$28,591 |
| Grand Total All Present Law Adjustments | | | | \$64,722 | | | | | \$52,416 |

DP 901 - Commission Expense - FWP commissioners are compensated for their travel at standard per diem rates and are provided an honorarium of \$50 per day for participating in meetings or conducting other commission business. The legislature approved an adjustment to restore the funding for this expense as the budget system excludes all per diem and honoraria paid to the commissioners.

DP 904 - Statute Book Printing - The legislature approved an adjustment of state special revenue due to cyclic printing costs. Following each legislative session, the department prints statute books to inform game wardens, other staff, and the public of relevant laws pertaining to department programs. It is not needed during the second year of the biennium.

DP 910 - Litigation Expenses - The legislature approved state special revenue for increased legal expenses and personnel. The increasing workload has resulted in contracting with private sector attorneys at significantly higher costs per hour. This request provides funding and FTE to increase the half-time attorney and paralegal positions to full-time and payment of increasing court costs.

DP 920 - Eliminate funding for FWP Foundation Director - This decision package eliminates base funding for the Executive Director of the FWP Foundation. This represents \$67,342 in general license dollars and 1.0 FTE in each year of the biennium. This action was in response to a legislative audit recognizing the need to implement arms length separation between the foundation and the department.

DP 930 - Liaison to FWP Foundation - The legislature approved 0.25 FTE to serve as a liaison to the Fish, Wildlife and Parks Foundation.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|------------------|--------------------|--------------------|-------------|--------------|------------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 905 - State Wildlife Grants - Biennial/OTO | | | | | | | | | | |
| 09 | 0.00 | 0 | 200,000 | 2,800,000 | 3,000,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 909 - FWP Website Management | | | | | | | | | | |
| 09 | 1.00 | 0 | 62,134 | 0 | 62,134 | 1.00 | 0 | 57,392 | 0 | 57,392 |
| DP 6010 - 2007 Biennium Pay Plan- HB 447 | | | | | | | | | | |
| 09 | 0.00 | 0 | 57,062 | 29,116 | 86,178 | 0.00 | 0 | 148,874 | 75,912 | 224,786 |
| Total | 1.00 | \$0 | \$319,196 | \$2,829,116 | \$3,148,312 | 1.00 | \$0 | \$206,266 | \$75,912 | \$282,178 |

DP 905 - State Wildlife Grants - Biennial/OTO - The legislature approved authority to spend \$2.8 million in federal funds and \$200,000 in general license dollars during the next biennium, as biennial appropriations. As in the past two biennia, funds would be used for a broad range of projects to conserve and enhance populations of native fish and wildlife species and to reduce the potential for federal listing of species. Additional matching funds will be acquired through other sources.

DP 909 - FWP Website Management - The legislature approved state special revenue for 1.0 FTE and operating costs to provide content management to the FWP website.

DP 6010 - 2007 Biennium Pay Plan- HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The department may not use any source of state special revenue to fund operations or personal services of the fish, wildlife and parks foundation. The department may provide the use of office space and office equipment for the fish, wildlife and parks foundation staff. The department may fund operations and personal services of its own employees to act as liaisons with the fish, wildlife and parks foundation for the sole purpose of representing the interest of the department."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 355.03 | 7.75 | 4.00 | 366.78 | 7.75 | 4.00 | 366.78 | 366.78 |
| Personal Services | 15,630,089 | 2,207,085 | 734,984 | 18,572,158 | 2,199,821 | 1,575,787 | 19,405,697 | 37,977,855 |
| Operating Expenses | 24,154,345 | 13,716,834 | 5,635,123 | 43,506,302 | 1,489,860 | 4,106,427 | 29,750,632 | 73,256,934 |
| Equipment | 102,112 | 2,563 | 0 | 104,675 | 2,563 | 0 | 104,675 | 209,350 |
| Grants | 1,457,581 | 316,599 | 0 | 1,774,180 | 431,998 | 0 | 1,889,579 | 3,663,759 |
| Benefits & Claims | 0 | 1,025,000 | 0 | 1,025,000 | 1,025,000 | 0 | 1,025,000 | 2,050,000 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$41,344,127 | \$17,268,081 | \$6,370,107 | \$64,982,315 | \$5,149,242 | \$5,682,214 | \$52,175,583 | \$117,157,898 |
| General Fund | 3,053,744 | 870,211 | 377,484 | 4,301,439 | 879,281 | 457,381 | 4,390,406 | 8,691,845 |
| State/Other Special | 17,829,392 | 8,140,009 | 3,872,100 | 29,841,501 | 111,984 | 2,739,093 | 20,680,469 | 50,521,970 |
| Federal Special | 20,460,991 | 8,257,861 | 2,120,523 | 30,839,375 | 4,157,977 | 2,485,740 | 27,104,708 | 57,944,083 |
| Total Funds | \$41,344,127 | \$17,268,081 | \$6,370,107 | \$64,982,315 | \$5,149,242 | \$5,682,214 | \$52,175,583 | \$117,157,898 |

Agency Description

The Department of Environmental Quality is responsible for regulating air quality, water quality, underground storage tanks, automobile wrecking facilities, hazardous waste facilities, solid waste management systems, and mining operations; and for siting and needs analyses of large-scale energy facilities. In addition, the department is the lead agency for reclamation and clean-up activities related to the federal and state superfund programs, leaking underground storage tanks, and regulation and permitting of mining conducted on private, state, and federal lands.

Agency Highlights

| Department of Environmental Quality Major Budget Highlights | |
|--|--|
| ◆ | 11.75 additional FTE and associate operating expenses were added at the cost of \$0.8 million over the biennium |
| ◆ | Orphan share funding was expanded to include a remediation study of a site in NW Montana where the state is a potentially liable party |
| ◆ | RIT related accounts are structurally balanced |
| ◆ | \$21.6 million in forfeited bonds were removed to assist with meeting the state expenditure limitation |
| ◆ | Implementation of HB 447, the pay plan, increased costs to the department by \$2.2 million over the biennium |
| ◆ | The department indirect rate was increased to 24 percent, from 23 percent |

Agency Discussion

Recruitment and Retention of Employees

The department has a long-standing issue of recruitment and retention of employees. The legislature did recognize this issue and subsequently approved \$4.1 million in present law adjustments to account for vacancies occurring in the base year. In addition, the Joint Appropriations Subcommittee for Natural Resources and Commerce requested and reviewed information regarding the number of positions, recruitment issues associated with environmental scientists, the length of time positions were vacant, and internal plans to address employee moral.

The executive budget requested an additional 22.50 FTE to alleviate workload issues. The legislature approved 14.75 FTE, but also eliminated 3.00 FTE. The result is an increase in FTE by 11.75. Figure 1 describes the approved and eliminated FTE. The most significant increase was to the Planning, Prevention and Assistance Division, where 9.00 FTE were added to assist with assuring that the total maximum daily load (TMDL) process meets the court imposed deadline. The permitting and compliance division had requested 10.75 FTE of which 5.00 were not approved due to the non-passage of HB 361 (increase in open cut mining fees) and a reduction to the request in the wastewater unit. The net increase in FTE results in a \$0.8 biennial increase in personal services costs.

| Figure 1 Department of Environmental Quality FTE Changes for 2007 Biennium | | | | | | |
|--|--------------|-------------------|--------------|-------------------|----------------------------------|--|
| Division | FY 2006 | | FY2007 | | Description | |
| | #FTE | Cost | #FTE | Cost | | |
| Planning, Prevention & Assistance | 5.00 | \$ 241,373 | 5.00 | \$ 240,713 | TMDL Completion Permanent FTE | |
| | 4.00 | 120,680 | 4.00 | 120,357 | TMDL Completion Temporary FTE | |
| | -1.00 | (41,862) | -1.00 | (41,862) | Statewide FTE Reduction | |
| Remediation | -2.00 | (107,069) | -2.00 | (107,069) | Move FTE to Proprietary Funding | |
| Permitting & Compliance | 3.00 | 127,094 | 3.00 | 126,743 | Wastewater Permitting | |
| | 2.75 | 88,236 | 2.75 | 88,007 | Public Water Supply/Subdivisions | |
| Total FTE and Costs | <u>11.75</u> | <u>\$ 428,452</u> | <u>11.75</u> | <u>\$ 426,889</u> | | |

Total Maximum Daily Loads (TMDL)

As a result of a district court order, the department has until 2007 to complete all 1996 TMDL reassessments and full TMDL development on eight watersheds. The remaining watersheds need to be completed by 2012. Figure 2 describes the \$5.1 million appropriated by the legislature. General fund accounts for \$1.7 million, while the remaining \$3.4 million is federal special revenue.

Federal Funding

The legislature approved present law adjustments to account for increasing delays in federal funding. This provides the appropriate level of authority for the upcoming biennium should federal funding arrive on time, as predicted.

| Figure 2 Department of Environmental Quality 2007 Biennium TMDL Funding | | | |
|---|--------------------|--------------------|------------------------|
| Purpose | General Fund | Federal Funds | Total Appropriation |
| Contract Services | \$81,540 | \$570,460 | \$652,000 |
| Database Improvements | 321,000 | 0 | 321,000 |
| Permanent FTE & Operations | 894,905 | 2,865,758 | 3,760,663 |
| Temporary FTE & Operations | 365,286 | 0 | 365,286 |
| Total | <u>\$1,662,731</u> | <u>\$3,436,218</u> | <u>\$5,098,949</u> |

Summary of Legislative Action

The legislature established a biennial budget of \$117.1 million for the biennium. This included the approval of \$22.4 million of present law adjustments and \$11.4 million in new proposals. The major new proposals include:

- \$2.0 million for Brownsfield grants to remediate contaminated lands for reuse
- Funding of \$1.2 million to investigate Troy as part of the Libby asbestos contamination site
- Wetlands grant authority of \$0.6 million
- Transfer of \$0.3 million from state special revenue to private non-budgeted settlement funds from a criminal court action
- A remedial investigation and feasibility study through the passage of SB 489 – the bill allocated \$1.25 million for a site in Northwest Montana where the state is a potentially liable party

Other major budgetary issues included:

- \$21.6 million of state special revenue derived from forfeited hard rock bonds were removed from the budget to assist with meeting the overall expenditure limit
- Opencut fee increases were approved
- \$5.1 million was appropriated to meet the court imposed deadline for total maximum daily loads
- Subrogation of claims in the petroleum tank compensation program was approved
- Authority to perform environmental impact statements under the Montana Environmental Policy act was reduced by \$1.0 million based on historical activities
- New uses of the orphan share fund were approved, including:
 - Remedial investigation and feasibility study at a site where the state is a potentially liable party
 - Annual transfer of \$1.2 million to the Zortman-Landusky water treatment trust
- 14.75 new FTE were added for a variety of programs, including:
 - 9.00 FTE for the TMDL program
 - 5.75 FTE for Permitting and Compliance Activities

Other Legislation

House Bill 60 - This legislation establishes standards for the cleanup of indoor property contaminated by a clandestine methamphetamine lab and the requirements for certifying persons to conduct the remediation of such properties. The legislature appropriated \$257,159 of general fund over the biennium for this program. Registration fees for the certified individuals will raise \$15,000 over the biennium.

House Bill 77 – This legislation increase septic pumper license annual fee from \$125 to \$300, establishes a \$50 set aside from the fees for training, and changes county allocation of license revenues from 40 percent of collected fees to 50 per license. Projected estimated revenue is \$54,250 over the biennium.

House Bill 370 – The legislation eliminates the application filing fee for new mining, prospecting, or major revisions applications. Due to low volume of this type of application, a nominal decrease in revenue may occur.

House Bill 379 – This legislation establishes a new trust fund to be used to cover the long-term costs of water treatment in the area of the Zortman – Landusky mines. The new trust is financed from an annual transfer of \$1.2 million from the orphan share fund. The trust will receive the transfer until 2018 or until the balance reaches \$19.3 million.

House Bill 428 – This legislation provides for an increase in the penalties associated with violations of the Montana Strip and Underground Mining Act (MSURA). The department anticipates seven new enforcement cases over the biennium for increase fines of \$35,000.

House Bill 453 – This legislation creates administrative level penalties under solid waster disposal, underground storage tanks, junk vehicle, and subdivision programs. Due to the disposition of penalties, revenue increase to the general fund is estimated at \$1,800 and state special revenue at \$3,000 over the biennium.

House Bill 790 – This legislation requires the Environmental Quality Council to: 1) conduct a study on split estates of property between mineral owners and surface owners related to oil and gas development and coal bed methane reclamation and bonding; and 2) establish and organize a subcommittee to perform the study. HB 790 allocates up to \$50,000 state special revenue from oil and natural gas production tax receipts over the biennium to the Legislative Services Division for \$15,000 in personal services and \$35,000 in operating expenses each year to conduct the study.

House Joint Resolution 34 – This resolution requests an inventory of all federal or state superfund sites, status of remediation of these sites, and local challenges to infrastructure due to the presence of the site. Also seeks to find a solution to improve communication between the multiple local, state, and federal government agencies involved in the remediation process.

House Joint Resolution 36 – This resolution requests a committee to review the funding sources, allocation, and utilization of resource indemnity trust funding. It also encourages the committee to suggest a simplified funding mechanism that meets the intent of statutes and provides sufficient resources for the affected agencies to accomplish their work.

Senate Bill 143 – This legislation provides for contingent transfers from the orphan share fund to the hazardous waste/CERCLA fund and the environmental quality protection fund. Fund transfers must be repaid when sufficient revenues exist.

Senate Bill 320 – This legislation establishes an application fee, renewal fee, and annual fee for medium and large sized concentrated animal feeding operations (CAFO). This legislation eliminates the need for a programmatic environmental impact statement on CAFO and allows for the use of a general discharge permit. The legislation is retroactive to January 1, 2005.

Senate Bill 489 – This legislation provides for the orphan share fund to be utilized to establish a remediation plan for multi-party contamination sites in NW Montana. The state is one potentially liable party for the cleanup of this area. \$1.25 million was appropriated by the legislature for this purpose.

Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|--------------|---------------|---------------|----------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 10 Central Management Program | \$ 658,963 | \$ 2,988,524 | \$ 316,030 | \$ 3,963,517 | 3.36% |
| 20 Plan.Prevent. & Assist.Div. | 5,235,898 | 1,966,904 | 21,150,677 | 28,353,479 | 24.07% |
| 30 Enforcement Division | 829,409 | 521,474 | 741,465 | 2,092,348 | 1.78% |
| 40 Remediation Division | - | 13,349,390 | 21,054,720 | 34,404,110 | 29.21% |
| 50 Permitting & Compliance Div. | 1,967,575 | 31,109,521 | 14,681,191 | 47,758,287 | 40.55% |
| 90 Petro Tank Release Comp. Board | - | 1,216,973 | - | 1,216,973 | 1.03% |
| Grand Total | \$ 8,691,845 | \$ 51,152,786 | \$ 57,944,083 | \$ 117,788,714 | 100.00% |

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
|---------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| FTE | 355.03 | 374.53 | 366.78 | (7.75) | 374.53 | 366.78 | (7.75) | |
| Personal Services | 15,630,089 | 18,311,621 | 18,572,158 | 260,537 | 18,287,926 | 19,405,697 | 1,117,771 | 1,378,308 |
| Operating Expenses | 24,154,345 | 69,121,152 | 43,506,302 | (25,614,850) | 28,143,023 | 29,750,632 | 1,607,609 | (24,007,241) |
| Equipment | 102,112 | 104,675 | 104,675 | 0 | 104,675 | 104,675 | 0 | 0 |
| Grants | 1,457,581 | 1,774,180 | 1,774,180 | 0 | 1,889,579 | 1,889,579 | 0 | 0 |
| Benefits & Claims | 0 | 4,100,000 | 1,025,000 | (3,075,000) | 0 | 1,025,000 | 1,025,000 | (2,050,000) |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$41,344,127 | \$93,411,628 | \$64,982,315 | (\$28,429,313) | \$48,425,203 | \$52,175,583 | \$3,750,380 | (\$24,678,933) |
| General Fund | 3,053,744 | 6,129,497 | 4,301,439 | (1,828,058) | 4,096,940 | 4,390,406 | 293,466 | (1,534,592) |
| State/Other Special | 17,829,392 | 55,769,689 | 29,841,501 | (25,928,188) | 18,750,191 | 20,680,469 | 1,930,278 | (23,997,910) |
| Federal Special | 20,460,991 | 31,512,442 | 30,839,375 | (673,067) | 25,578,072 | 27,104,708 | 1,526,636 | 853,569 |
| Total Funds | \$41,344,127 | \$93,411,628 | \$64,982,315 | (\$28,429,313) | \$48,425,203 | \$52,175,583 | \$3,750,380 | (\$24,678,933) |

The legislative budget is \$24.6 million or 18 percent less than the executive budget proposal. The legislature did not approve \$1.5 million in general fund and \$23.9 million in state special revenue. Federal revenue increased by \$0.8 million due to the implementation of HB 447, the pay plan

The reduction in general fund is the net result of the decision not to approve a \$2.0 million appropriation for a hazardous waste study and the appropriation to fund HB 60, the methamphetamine lab cleanup program.

The legislature approved \$23.9 million less in state special revenue authority than the executive budget proposal. This can be attributed to:

- Decision to not approve \$763,250 for 3.00 FTE to establish an air permitting process for the oil and gas industry
- Elimination of 2.00 FTE and operating costs in the Water Protection Bureau for approximately \$300,000
- Reduction of appropriations from the orphan share account from \$4.1 million to \$3.3 million
- Reduction in authority to collect fees for environmental impact statements under the Montana Environmental Policy Act (MEPA) by \$1.0 million
- Reduction of \$328,664 due to the failure of HB 361, opencut mining fees
- Elimination of \$360,000 for the concentrated animal feeding operations environmental impact study due to the passage of SB 320
- Removal of \$21.6 million of state special revenue associated with hard rock bond forfeitures with utilization of the budget amendment process if forfeitures occur

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 11.00 | 0.00 | 0.00 | 11.00 | 0.00 | 0.00 | 11.00 | 11.00 |
| Personal Services | 495,078 | 107,368 | 17,016 | 619,462 | 107,456 | 43,719 | 646,253 | 1,265,715 |
| Operating Expenses | 593,848 | 692,436 | 250,000 | 1,536,284 | 567,670 | 0 | 1,161,518 | 2,697,802 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$1,088,926 | \$799,804 | \$267,016 | \$2,155,746 | \$675,126 | \$43,719 | \$1,807,771 | \$3,963,517 |
| General Fund | 253,386 | 64,231 | 6,763 | 324,380 | 63,961 | 17,236 | 334,583 | 658,963 |
| State/Other Special | 647,125 | 771,708 | 257,100 | 1,675,933 | 647,119 | 18,347 | 1,312,591 | 2,988,524 |
| Federal Special | 188,415 | (36,135) | 3,153 | 155,433 | (35,954) | 8,136 | 160,597 | 316,030 |
| Total Funds | \$1,088,926 | \$799,804 | \$267,016 | \$2,155,746 | \$675,126 | \$43,719 | \$1,807,771 | \$3,963,517 |

Program Description

The Central Management Program consists of the director's office, a financial services office, and an information technology office. It is the organizational component of the DEQ responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out department mission and statutory responsibilities. The director's office includes the director's staff, the deputy director, an administrative officer, public information officer, a centralized legal services unit, and a centralized personnel office. The financial services office provides budgeting, accounting, payroll, procurement, and contract management support to other divisions. The information technology office provides information technology services support to other divisions.

Program Highlights

| Central Management Division Major Program Highlights | |
|---|---|
| ♦ | The legislature approved \$250,000 for an environmental impact statement of the Gallatin River |
| ♦ | The passage of SB 320 eliminated the need for the environmental impact statement on concentrated animal feeding operations, which resulted in a \$360,000 decrease in state special revenue |
| ♦ | Authority to collect fees under the Montana Environmental Policy Act was reduced by \$1.0 million of state special revenue |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|--------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Central Management Progr | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Funds | \$ 253,386 | 23.3% | \$ 324,380 | 15.0% | \$ 334,583 | 18.5% |
| | 01100 General Fund | 253,386 | 23.3% | 324,380 | 15.0% | 334,583 | 18.5% |
| 02000 | Total State Special Funds | 647,125 | 59.4% | 1,675,933 | 77.7% | 1,312,591 | 72.6% |
| | 02058 Petroleum Storage Tank Cleanup | - | - | 31,447 | 1.5% | 32,507 | 1.8% |
| | 02070 Hazardous Waste-Cercla | 17,439 | 1.6% | 14,773 | 0.7% | 15,273 | 0.8% |
| | 02075 Ust Leak Prevention Program | 9,301 | 0.9% | 59,797 | 2.8% | 61,804 | 3.4% |
| | 02097 Environmental Rehab & Response | 6,359 | 0.6% | 125,000 | 5.8% | - | - |
| | 02157 Solid Waste Management Fee | 10,477 | 1.0% | 33,345 | 1.5% | 34,459 | 1.9% |
| | 02162 Environmental Quality Protecti | - | - | - | - | - | - |
| | 02201 Air Quality-Operating Fees | 55,994 | 5.1% | 57,525 | 2.7% | 59,456 | 3.3% |
| | 02202 Asbestos Control | - | - | 20,773 | 1.0% | 21,471 | 1.2% |
| | 02204 Public Drinking Water | 5,075 | 0.5% | 6,629 | 0.3% | 6,852 | 0.4% |
| | 02206 Agriculture Monitoring | - | - | - | - | - | - |
| | 02278 Mpdcs Permit Program | 50,104 | 4.6% | 287,757 | 13.3% | 39,027 | 2.2% |
| | 02418 Subdivision Plat Review | 27,954 | 2.6% | 29,868 | 1.4% | 30,876 | 1.7% |
| | 02458 Reclamation & Development | 31,096 | 2.9% | 45,087 | 2.1% | 46,597 | 2.6% |
| | 02542 Mt Environ Policy Act Fee | 429,870 | 39.5% | 953,832 | 44.2% | 953,832 | 52.8% |
| | 02567 Rit Excess Corpus | - | - | - | - | - | - |
| | 02845 Junk Vehicle Disposal | 3,456 | 0.3% | 7,572 | 0.4% | 7,829 | 0.4% |
| | 02954 Septage Fees | - | - | 2,528 | 0.1% | 2,608 | 0.1% |
| 03000 | Total Federal Special Funds | 188,415 | 17.3% | 155,433 | 7.2% | 160,597 | 8.9% |
| | 03067 Dsl Federal Reclamation Grant | 14,763 | 1.4% | 13,135 | 0.6% | 13,571 | 0.8% |
| | 03100 Epa / Drinking Water Srf | 2,202 | 0.2% | - | - | - | - |
| | 03228 L.U.S.T./Trust | 5,926 | 0.5% | - | - | - | - |
| | 03262 Epa Ppg | - | - | 123,505 | 5.7% | 128,025 | 7.1% |
| | 03302 Wetlands Grant | 2,770 | 0.3% | - | - | - | - |
| | 03385 Epa/One Stop Program | - | - | - | - | - | - |
| | 03433 Epa Perf Partnership Fy04-05 | 126,307 | 11.6% | - | - | - | - |
| | 03436 Nps 04 Staffing & Support | 28,695 | 2.6% | 14,058 | 0.7% | 14,111 | 0.8% |
| | 03437 Sep Base 2004 | 7,097 | 0.7% | 1,580 | 0.1% | 1,629 | 0.1% |
| | 03452 Epa Readiness Grant | - | - | - | - | - | - |
| | 03687 Drinking Water Srf Ffy02 | 655 | 0.1% | 3,155 | 0.1% | 3,261 | 0.2% |
| Grand Total | | <u>1,088,926</u> | <u>100.0%</u> | <u>2,155,746</u> | <u>100.0%</u> | <u>1,807,771</u> | <u>100.0%</u> |

The majority of the functions in this division are funded with non-budgeted proprietary funds, and are not appropriated through HB 2. The proprietary funding is based upon a negotiated indirect rate with the federal Environmental Protection Agency (EPA). The indirect rate is assessed against funding for all personal services, temporary services, and work-study projects within each division, and transferred to the Central Management Program to fund operating costs. A further discussion is included in the proprietary rate section. Appropriated funds consist of 18 percent general fund for support of the Board of Environmental Review and general operating costs, 52 percent Montana Environmental Protection Act (MEPA) fees from permit applications for completion of environmental impact statements, and a number of small federal grants.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|------------------|-----------------------|--------------|---------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 132,470 | | | | | 132,563 |
| Vacancy Savings | | | | | (25,102) | | | | | (25,107) |
| Inflation/Deflation | | | | | (374) | | | | | (368) |
| Fixed Costs | | | | | (1,892) | | | | | (1,685) |
| Total Statewide Present Law Adjustments | | | | | \$105,102 | | | | | \$105,403 |
| DP 1004 - MT Environmental Policy Act Biennial Restricted | | | | | | | | | | |
| | 0.00 | 0 | 523,962 | 0 | 523,962 | 0.00 | 0 | 523,962 | 0 | 523,962 |
| DP 1009 - Non-Proprietary Central Management Operating Adj | | | | | | | | | | |
| | 0.00 | 24,273 | 137,860 | 8,607 | 170,740 | 0.00 | 24,277 | 12,872 | 8,612 | 45,761 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$24,273 | \$661,822 | \$8,607 | \$694,702 | 0.00 | \$24,277 | \$536,834 | \$8,612 | \$569,723 |
| Grand Total All Present Law Adjustments | | | | | \$799,804 | | | | | \$675,126 |

DP 1004 - MT Environmental Policy Act Biennial Restricted - The legislature approved an adjustment increasing the biennial restricted appropriation for the Montana Environmental Policy Act (MEPA). An outside party requesting an environmental impact statement (EIS) from the department pays the fee. The average cost of an EIS is \$350,000 to \$400,000 with an average of four EIS projects per year. \$500,000 of this appropriation is contingent upon the passage of legislation to revise MEPA fees.

DP 1009 - Non-Proprietary Central Management Operating Adj - The legislature approved an operating adjustment for MEPA administration and the Environmental Rehabilitation and Environmental Response (ERRA) program. The adjustment would cover increased costs of contracted services and travel.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|------------------|-----------------|------------------|-----------------------|-----------------|-----------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1012 - Gallatin River EIS OTO | | | | | | | | | | |
| 10 | 0.00 | 0 | 250,000 | 0 | 250,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 10 | 0.00 | 6,763 | 7,100 | 3,153 | 17,016 | 0.00 | 17,236 | 18,347 | 8,136 | 43,719 |
| Total | 0.00 | \$6,763 | \$257,100 | \$3,153 | \$267,016 | 0.00 | \$17,236 | \$18,347 | \$8,136 | \$43,719 |

DP 1012 - Gallatin River EIS OTO - The legislature approved a one-time only restricted appropriation to fund an environmental impact statement (EIS) on the reach of Gallatin River from the boundary of Yellowstone National Park to the intersection of Spanish Creek. This EIS would be used to determine if this reach of stream qualifies as an outstanding resource water.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Program Description

The Central Management Program of the Department of Environmental Quality (DEQ) consists of the director's office, a financial services office, and an information technology office. It is the organizational component of the agency responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out the department mission and statutory responsibilities. The director's office includes the director's staff, the deputy director, an administrative officer, public information officer, a centralized legal services unit, and a centralized personnel office. The financial services office provides budgeting, accounting, payroll, procurement, and contract management support to other divisions. The information technology office provides information technology services support to other divisions.

The centralized legal services unit has 3.00 FTE that are funded by the internal service fund, two attorneys and one paralegal. This staff provides the administration, management, and planning for the legal services unit, and specific duties for department programs, including legislation, rule making, enforcement actions, and contract review. The remainder of this unit is funded by direct charges to the programs and projects requiring the legal work.

The customers of this program are all divisions and employees of the department. Use of these services is mandated by agency policies and procedures. There are no alternative sources for the Central Management Program as a whole. The department contracts for legal services whenever it is cost effective to do so, or to obtain specific expertise for a case, or when legal jurisdiction of the case requires an attorney licensed in that state. The department contracts for information technology database development and for hosting of the department's enterprise database.

Proprietary Revenues and Expenses

The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 25 percent in FY 2006 and FY 2007. Revenues generated by the current indirect cost rate fund 51.50 FTE.

The Central Management Program provides the services presented in the program description. The cost of providing support services is directly related to the number of staff served. The department negotiates an indirect rate with EPA based on that computation annually. Adjustments for over-recovery and under-recovery in the previous year are made to the calculations each year. EPA and DEQ agree to the services that are included in the indirect calculation. Funding is collected from all non-proprietary sources expended within the department. FY 2004 collections were: \$ 404,382 in general fund, \$1,635,608 in state special revenue, and \$1,608,227 in federal special revenue.

Expense Description: The major cost drivers within this program are personal services costs and fixed costs. Additional costs for overtime are incurred when workload changes, such as upgrades to the state accounting system (SABHRS), a special legislative session, and increased monitoring and oversight of budgets due to revenue shortfalls. Fixed costs continue to be a significant cost increase to the proprietary fund. The cost of providing support services is directly related to the number of staff served. Therefore, future expenses are determined by projecting increases or decreases in program staff. Non-typical and one-time expenses are backed out of the cost of providing services before calculating the indirect rate. Salaries are constant throughout the fiscal year, except during fiscal year end, executive budget preparation, and legislative session. Supplies are purchased on an as needed basis, except during peak times noted above. The indirect rate proposed to the legislature will fund 55.50 FTE.

Working Capital

The objective of program management is to recover costs to fund necessary, ongoing operation of the Central Management Program. The program has no requirement to reserve an excess fund balance. The fund normally carries a 60-day working capital balance to meet its immediate cash needs for covering payroll and various operating costs.

Fund Equity

The department does not reserve a fund balance on the accounting records nor does it try to maintain a fund balance. The revenues generated should be enough to cover the current year's operations. However, due to timing factors, the fund balance does not always equal zero.

Proprietary Rate Explanation

The department negotiates an annual indirect cost rate with EPA. The approved rate is a fixed rate. This rate is applied against personal services, temporary services, and work-study contracts charged within each division of the department, other than the Central Management Program.

The legislature approved an increase in its indirect cost rate from 23 percent approved in the last legislative session to 24 percent. The rate negotiated with EPA requires a carry-forward amount be built into the rate. This carry-forward amount represents the amount the department either under-recovered or over-recovered in a given year. This computation compares what was initially negotiated versus what actually occurred. The difference is then carried forward into the following year's rate.

The department's indirect cost rate is determined based on guidelines prescribed by the federal government. In addition, the department complies with Section 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the fullest extent possible. In order to comply with this law, the department has requested a rate that may vary slightly from the rate the department actually negotiates with EPA. The rate approved by the legislature is considered a cap. Therefore, the department cannot negotiate for a rate higher than what has been approved by the legislature. However, the rate negotiated with EPA may be slightly lower.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 84.58 | 4.00 | 4.00 | 92.58 | 4.00 | 4.00 | 92.58 | 92.58 |
| Personal Services | 3,580,754 | 789,119 | 253,009 | 4,622,882 | 787,910 | 462,837 | 4,831,501 | 9,454,383 |
| Operating Expenses | 5,718,638 | 3,195,496 | 448,783 | 9,362,917 | 3,201,347 | 432,086 | 9,352,071 | 18,714,988 |
| Equipment | 89,491 | 2,563 | 0 | 92,054 | 2,563 | 0 | 92,054 | 184,108 |
| Total Costs | \$9,388,883 | \$3,987,178 | \$701,792 | \$14,077,853 | \$3,991,820 | \$894,923 | \$14,275,626 | \$28,353,479 |
| General Fund | 1,614,878 | 766,785 | 212,318 | 2,593,981 | 769,107 | 257,932 | 2,641,917 | 5,235,898 |
| State/Other Special | 643,425 | 312,721 | 13,901 | 970,047 | 317,457 | 35,975 | 996,857 | 1,966,904 |
| Federal Special | 7,130,580 | 2,907,672 | 475,573 | 10,513,825 | 2,905,256 | 601,016 | 10,636,852 | 21,150,677 |
| Total Funds | \$9,388,883 | \$3,987,178 | \$701,792 | \$14,077,853 | \$3,991,820 | \$894,923 | \$14,275,626 | \$28,353,479 |

Program Description

The Planning, Prevention and Assistance Division consist of three bureaus: Technical and Financial Assistance, Water Quality Planning, and Air, Energy and Pollution Prevention. The division:

- 1) Finances for construction and improvement of community drinking water and wastewater systems, and provides engineering review and technical assistance to Montana communities water infrastructure planners;
- 2) Assists small businesses in reducing emissions and complying with environmental regulations;
- 3) Monitors air and water quality conditions, assesses potential pollution problems, and aids industry achieve cost effective compliance;
- 4) Assists communities to plan for energy, watershed, airshed, and solid and hazardous waste management;
- 5) Helps develop water Total Maximum Daily Loads (TMDL);
- 6) Proposes rules and policy, and develops environmental protection criteria;
- 7) Provides analysis to assess the cost effectiveness of environmental programs;
- 8) Finances energy saving retrofits of public buildings and renewable energy systems for homeowners and small businesses;
- 9) Provides technical assistance and education to builders, homeowners, and businesses on energy efficiency and renewable energy, indoor air quality, radon, recycling, and solid waste reduction.

Program Highlights

| Planning Prevention and Assistance Division Major Program Highlights | |
|---|---|
| ♦ | 9.00 FTE (5.00 permanent and 4.00 temporary) were approved to provide staffing to complete total maximum daily loads (TMDL) prior to the court imposed deadline |
| ♦ | \$1.3 million of present law adjustments were approved to compensate for delays in federal funding and previous staff vacancies |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| | | Plan.Prevent. & Assist. | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,614,878 | 17.2% | \$ 2,593,981 | 18.4% | \$ 2,641,917 | 18.5% |
| | 01100 General Fund | 1,614,878 | 17.2% | 2,593,981 | 18.4% | 2,641,917 | 18.5% |
| 02000 | Total State Special Funds | 643,425 | 6.9% | 970,047 | 6.9% | 996,857 | 7.0% |
| | 02070 Hazardous Waste-Cercla | 141,771 | 1.5% | 134,394 | 1.0% | 135,779 | 1.0% |
| | 02157 Solid Waste Management Fee | 54,696 | 0.6% | 85,582 | 0.6% | 89,420 | 0.6% |
| | 02201 Air Quality-Operating Fees | 182,254 | 1.9% | 246,674 | 1.8% | 254,881 | 1.8% |
| | 02203 Arco | - | - | 25,339 | 0.2% | 25,339 | 0.2% |
| | 02206 Agriculture Monitoring | 3,962 | 0.0% | 6,296 | 0.0% | 8,292 | 0.1% |
| | 02223 Wastewater Srf Special Admin | 4,564 | 0.0% | 22,463 | 0.2% | 23,296 | 0.2% |
| | 02278 Mpdcs Permit Program | 75,259 | 0.8% | 88,532 | 0.6% | 92,146 | 0.6% |
| | 02316 Go94B/Ban 93D Admin | 52,798 | 0.6% | 63,359 | 0.5% | 65,720 | 0.5% |
| | 02388 Misc. State Special Revenue | 39,996 | 0.4% | 26,772 | 0.2% | 28,040 | 0.2% |
| | 02491 Drinking Water Spec Admin Cost | 31,003 | 0.3% | 80,900 | 0.6% | 84,113 | 0.6% |
| | 02555 Alternative Energy Rev Loan | 6,943 | 0.1% | 36,726 | 0.3% | 36,692 | 0.3% |
| | 02973 Univ System Benefits Program | 50,179 | 0.5% | 153,010 | 1.1% | 153,139 | 1.1% |
| 03000 | Total Federal Special Funds | 7,130,580 | 75.9% | 10,513,825 | 74.7% | 10,636,852 | 74.5% |
| | 03007 Doe Special Projects | 58,171 | 0.6% | 104,457 | 0.7% | 109,621 | 0.8% |
| | 03010 Nps 04 Projects | 1,669,998 | 17.8% | 1,669,998 | 11.9% | 1,669,998 | 11.7% |
| | 03033 Energy/Fsd | 134,487 | 1.4% | 172,469 | 1.2% | 174,917 | 1.2% |
| | 03100 Epa / Drinking Water Srf | 127,024 | 1.4% | 158,672 | 1.1% | 159,090 | 1.1% |
| | 03232 Drinking Water Srf Ffy 00 | 11,195 | 0.1% | - | - | - | - |
| | 03245 Wastewater Treatment Grant | 71,684 | 0.8% | - | - | - | - |
| | 03249 Nps Implementation Grant | 288,600 | 3.1% | 449,952 | 3.2% | 449,964 | 3.2% |
| | 03262 Epa Ppg | - | - | 3,407,562 | 24.2% | 3,442,813 | 24.1% |
| | 03302 Wetlands Grant | 111,181 | 1.2% | 649,005 | 4.6% | 650,864 | 4.6% |
| | 03433 Epa Perf Partnership Fy04-05 | 1,796,032 | 19.1% | 134 | 0.0% | 63 | 0.0% |
| | 03435 Pm 2.5 Fiscal Year 2004 | 311,236 | 3.3% | 329,689 | 2.3% | 335,751 | 2.4% |
| | 03436 Nps 04 Staffing & Support | 986,046 | 10.5% | 1,160,132 | 8.2% | 1,197,325 | 8.4% |
| | 03437 Sep Base 2004 | 351,850 | 3.7% | 604,179 | 4.3% | 619,978 | 4.3% |
| | 03442 Dw Srf 03 | 339,979 | 3.6% | 645,430 | 4.6% | 660,856 | 4.6% |
| | 03457 Wpc Srf Fy03 Grant | 192,048 | 2.0% | 315,984 | 2.2% | 327,733 | 2.3% |
| | 03459 Doe Competitive Special Proj | 23,323 | 0.2% | 139,928 | 1.0% | 140,356 | 1.0% |
| | 03667 Tmdl Supplemental | - | - | 159,547 | 1.1% | 159,772 | 1.1% |
| | 03676 Bureau Of Land Management | - | - | 40,000 | 0.3% | 40,000 | 0.3% |
| | 03687 Drinking Water Srf Ffy02 | 100,952 | 1.1% | - | - | - | - |
| | 03695 Srf St Tribal Rel Agrmt Grant | 24,937 | 0.3% | 46,778 | 0.3% | 48,074 | 0.3% |
| | 03716 Doe - Omnibu | 54,492 | 0.6% | 64,000 | 0.5% | 64,000 | 0.4% |
| | 03814 Epa Water Quality 205J | 218,965 | 2.3% | 225,885 | 1.6% | 213,407 | 1.5% |
| | 03817 Emap | 128,567 | 1.4% | 130,024 | 0.9% | 132,270 | 0.9% |
| | 03818 Tmdl Special Projects | 27,783 | 0.3% | 40,000 | 0.3% | 40,000 | 0.3% |
| | 03953 Drinking Water Srf 99 | 102,030 | 1.1% | - | - | - | - |
| Grand Total | | <u>\$ 9,388,883</u> | <u>100.0%</u> | <u>\$ 14,077,853</u> | <u>100.0%</u> | <u>\$ 14,275,626</u> | <u>100.0%</u> |

The division is funded with general fund and a variety of state special and federal special revenue sources. The division's primary state special revenue funds are the fees collected for air quality permits and a portion of the RIT interest deposited in the hazardous waste/CERCLA account. The largest portion of federal funds are provided through the Environmental Protection Agency (EPA) programs, including the performance partnership grant and non-point source pollution control funding.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 763,375 | | | | | 762,798 |
| Vacancy Savings | | | | | (173,767) | | | | | (173,739) |
| Inflation/Deflation | | | | | (15,459) | | | | | (15,133) |
| Fixed Costs | | | | | 51,456 | | | | | 53,395 |
| Total Statewide Present Law Adjustments | | | | | \$625,605 | | | | | \$627,321 |
| DP 2001 - Water Quality Planning Bureau Operations Adj | 0.00 | 22,346 | 30,331 | 421,171 | 473,848 | 0.00 | 16,208 | 30,324 | 418,233 | 464,765 |
| DP 2002 - Fiscal & Administrative Unit Operations Adj | 0.00 | (13,815) | 4,608 | 7,407 | (1,800) | 0.00 | (2,662) | 6,834 | 6,984 | 11,156 |
| DP 2003 - Technical & Financial Assistance Bureau Operat Adj | 0.00 | 1,811 | 23,377 | 316,901 | 342,089 | 0.00 | 1,804 | 23,674 | 317,715 | 343,193 |
| DP 2004 - Air Energy & Pollution Prevention Bureau Oper Adj | 0.00 | 34,754 | 161,892 | 321,911 | 518,557 | 0.00 | 33,584 | 163,049 | 320,692 | 517,325 |
| DP 2007 - Water Quality Monitoring TMDL Completion | 5.00 | 447,862 | 0 | 1,432,879 | 1,880,741 | 5.00 | 447,043 | 0 | 1,432,879 | 1,879,922 |
| DP 2019 - Database Maintenance Costs - OTO | 0.00 | 25,000 | 0 | 0 | 25,000 | 0.00 | 25,000 | 0 | 0 | 25,000 |
| DP 2021 - Statewide FTE Reduction | (1.00) | (41,862) | 0 | 0 | (41,862) | (1.00) | (41,862) | 0 | 0 | (41,862) |
| DP 2022 - Water Quality Monitoring TMDL Completion-OTO | 0.00 | 165,000 | 0 | 0 | 165,000 | 0.00 | 165,000 | 0 | 0 | 165,000 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 4.00 | \$641,096 | \$220,208 | \$2,500,269 | \$3,361,573 | 4.00 | \$644,115 | \$223,881 | \$2,496,503 | \$3,364,499 |
| Grand Total All Present Law Adjustments | | | | | \$3,987,178 | | | | | \$3,991,820 |

DP 2001 - Water Quality Planning Bureau Operations Adj - The legislature approved a base adjustment for increased contracted services and to annualize contracts released late due to delays in federal funding.

DP 2002 - Fiscal & Administrative Unit Operations Adj - The legislature approved an adjustment for operating costs due to vacancies in the base year. The adjustment is the net affect of a reduction in contracted services, increases in supplies and travel, and indirect charges. In addition, general fund is being replaced with state special revenue and federal special revenue.

DP 2003 - Technical & Financial Assistance Bureau Oper Adj - The legislature approved operating adjustments each year of the biennium for contracted services, travel, supplies, communications, rent in non-state owned buildings, and indirect charges associated with increased staffing. The adjustment will provide for increased assistance and capacity development in the public water supply program, increased workload on the State and Tribal Agreement Grant (STAG), and annualization of the federal wetlands grant due to late receipt from the federal government.

DP 2004 - Air Energy & Pollution Prevention Bureau Oper Adj - The legislature approved adjustments in the Air Energy and Pollution Prevention Bureau to account for reduced expenditures in the base year due to a delay caused by late appropriations from Congress, and increased travel, communications, materials for the six vacant positions during the base year, and for indirect costs associated with increased staffing.

DP 2007 - Water Quality Monitoring TMDL Completion - The legislature approved 5.00 FTE and contracted services to increase the current pace and efficiency of total maximum daily load (TMDL) development in order to comply with a federal district court order. The program must complete all 1996 water body reassessments and full TMDL development for eight western watersheds by 2007, and complete all remaining necessary TMDLs by 2012.

DP 2019 - Database Maintenance Costs - OTO - The legislature approved a one-time-only budget request for the design and development of software and associated operating costs. This system will be used both by agency staff for sufficient credible data/beneficial use determination (SCD/BUD) tasks and a secured version for public viewing to satisfy Federal Clean Water Act reporting requirements.

DP 2021 - Statewide FTE Reduction - The legislature approved an FTE reduction equivalent to the reductions taken in the 2003 legislative session. This 1.00 FTE and nearly \$42,000 general fund per year will be removed from the budget permanently.

DP 2022 - Water Quality Monitoring TMDL Completion-OTO - The legislature approved a one-time-only request for two one-time database development and enhancement projects, to enhance data use entry and retrieval, and to assist in completing all future TMDL projects.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|-----------------|------------------|------------------|-------------|------------------|-----------------|------------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 2012 - BLM Funding for Water Quality Monitoring | | | | | | | | | | |
| 20 | 0.00 | 0 | 0 | 40,000 | 40,000 | 0.00 | 0 | 0 | 40,000 | 40,000 |
| DP 2016 - Wetlands Grants Authority | | | | | | | | | | |
| 20 | 0.00 | 0 | 0 | 330,000 | 330,000 | 0.00 | 0 | 0 | 330,000 | 330,000 |
| DP 2020 - Water Quality Management TMDL Temp. FTE OTO | | | | | | | | | | |
| 20 | 4.00 | 182,843 | 0 | 0 | 182,843 | 4.00 | 182,443 | 0 | 0 | 182,443 |
| DP 2065 - HB22 - Water Adjudication Fees | | | | | | | | | | |
| 20 | 0.00 | 0 | 0 | 16,620 | 16,620 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 20 | 0.00 | 29,475 | 13,901 | 88,953 | 132,329 | 0.00 | 75,489 | 35,975 | 231,016 | 342,480 |
| Total | 4.00 | \$212,318 | \$13,901 | \$475,573 | \$701,792 | 4.00 | \$257,932 | \$35,975 | \$601,016 | \$894,923 |

DP 2012 - BLM Funding for Water Quality Monitoring - The legislature provided federal special revenue authority for Bureau of Land Management (BLM) funding each year to provide water quality monitoring on public lands managed by BLM.

DP 2016 - Wetlands Grants Authority - The legislature approved federal special revenue authority each fiscal year to restore base level funding caused by the federal wetland grants being received late in the base year.

DP 2020 - Water Quality Management TMDL Temp. FTE OTO - The legislature approved a one-time-only request for 4.00 FTE for the 2007 biennium to provide on-the-ground work to increase the current pace and efficiency of Total Maximum Daily Load (TMDL) development in order to comply with a federal district court order.

DP 2065 - HB22 - Water Adjudication Fees - The legislature approved federal revenue to cover the cost of water adjudication fees associated with water rights held by the department.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The department is authorized to decrease federal special revenue in the water pollution control and/or drinking water revolving loan programs and to increase state special revenue by a like amount within the special administration account when the amount of federal capitalization funds have been expended or when federal funds and bond proceeds will be used for other program purposes."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 14.00 | 0.00 | 0.00 | 14.00 | 0.00 | 0.00 | 14.00 | 14.00 |
| Personal Services | 659,987 | 33,612 | 19,888 | 713,487 | 33,842 | 51,450 | 745,279 | 1,458,766 |
| Operating Expenses | 270,729 | 44,484 | 0 | 315,213 | 47,640 | 0 | 318,369 | 633,582 |
| Total Costs | \$930,716 | \$78,096 | \$19,888 | \$1,028,700 | \$81,482 | \$51,450 | \$1,063,648 | \$2,092,348 |
| General Fund | 370,865 | 29,307 | 7,787 | 407,959 | 30,627 | 19,958 | 421,450 | 829,409 |
| State/Other Special | 148,722 | 102,620 | 4,968 | 256,310 | 103,509 | 12,933 | 265,164 | 521,474 |
| Federal Special | 411,129 | (53,831) | 7,133 | 364,431 | (52,654) | 18,559 | 377,034 | 741,465 |
| Total Funds | \$930,716 | \$78,096 | \$19,888 | \$1,028,700 | \$81,482 | \$51,450 | \$1,063,648 | \$2,092,348 |

Program Description

The Enforcement Division is the central control for activities designed to facilitate the enforcement of the statutes and regulations administered by the department. The division develops department enforcement policies and procedures for approval by the director and ensures they are implemented in a consistent manner across the department. The division maintains a citizen complaint clearinghouse and information tracking system. The division coordinates the legal and technical aspects of enforcement cases, both administrative and judicial, and monitors violators to determine compliance with department orders.

Program Highlights

| Enforcement Division | |
|--------------------------|---|
| Major Program Highlights | |
| ♦ | The legislature approved operating increases, including vehicle leases. |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|-------------------------------------|-----------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Enforcement Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Funds | \$ 370,865 | 39.8% | \$ 407,959 | 39.7% | \$ 421,450 | 39.6% |
| | 01100 General Fund | 370,865 | 39.8% | 407,959 | 39.7% | 421,450 | 39.6% |
| 02000 | Total State Special Funds | 148,722 | 16.0% | 256,310 | 24.9% | 265,164 | 24.9% |
| | 02075 Ust Leak Prevention Program | 48,559 | 5.2% | 75,467 | 7.3% | 78,104 | 7.3% |
| | 02201 Air Quality-Operating Fees | 48,459 | 5.2% | 75,353 | 7.3% | 77,984 | 7.3% |
| | 02204 Public Drinking Water | 14,834 | 1.6% | 42,878 | 4.2% | 44,292 | 4.2% |
| | 02278 Mpdcs Permit Program | 32,411 | 3.5% | 35,687 | 3.5% | 36,926 | 3.5% |
| | 02458 Reclamation & Development | 4,459 | 0.5% | 4,908 | 0.5% | 5,083 | 0.5% |
| | 02845 Junk Vehicle Disposal | - | - | 22,017 | 2.1% | 22,775 | 2.1% |
| 03000 | Total Federal Special Funds | 411,129 | 44.2% | 364,431 | 35.4% | 377,034 | 35.4% |
| | 03067 Dsl Federal Reclamation Grant | 16,708 | 1.8% | 18,387 | 1.8% | 19,020 | 1.8% |
| | 03228 L.U.S.T./Trust | 35,661 | 3.8% | 39,254 | 3.8% | 40,608 | 3.8% |
| | 03262 Epa Ppg | - | - | 250,221 | 24.3% | 258,885 | 24.3% |
| | 03433 Epa Perf Partnership Fy04-05 | 307,355 | 33.0% | - | - | - | - |
| | 03436 Nps 04 Staffing & Support | 51,405 | 5.5% | 56,569 | 5.5% | 58,521 | 5.5% |
| Grand Total | | \$ 930,716 | 100.0% | \$ 1,028,700 | 100.0% | \$ 1,063,648 | 100.0% |

The Enforcement Division is primarily funded with general fund, federal EPA partnership grant monies, and state special revenue sources such as air quality fees, junk vehicle fees, and public drinking water funds that are utilized for enforcement activities. The division receives RIT funding through the reclamation and development account.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-----------------|-------------|--------------|---------------|-----------------|-----------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 62,513 | | | | | 62,751 |
| Vacancy Savings | | | | (28,901) | | | | | (28,909) |
| Inflation/Deflation | | | | (2,306) | | | | | (2,260) |
| Fixed Costs | | | | 5,205 | | | | | 5,499 |
| Total Statewide Present Law Adjustments | | | | \$36,511 | | | | | \$37,081 |
| DP 3001 - Enforcement Operations Adjustment | | | | | | | | | |
| 0.00 | 14,761 | 8,914 | 13,180 | 36,855 | 0.00 | 15,853 | 9,574 | 14,154 | 39,581 |
| DP 3002 - Enforcement Vehicle Lease | | | | | | | | | |
| 0.00 | 0 | 4,730 | 0 | 4,730 | 0.00 | 0 | 4,820 | 0 | 4,820 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$14,761 | \$13,644 | \$13,180 | \$41,585 | 0.00 | \$15,853 | \$14,394 | \$14,154 | \$44,401 |
| Grand Total All Present Law Adjustments | | | | \$78,096 | | | | | \$81,482 |

DP 3001 - Enforcement Operations Adjustment - The legislature approved operating adjustments for anticipated increases in lab analysis, in-state travel, IT consulting, indirect, and printing costs.

DP 3002 - Enforcement Vehicle Lease - The legislature provided authority for a leased vehicle to replace a department owned vehicle that is no longer reliable and has high mileage.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|----------------|-----------------|-----------------|-------------|-----------------|-----------------|-----------------|-----------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 30 | 0.00 | 7,787 | 4,968 | 7,133 | 19,888 | 0.00 | 19,958 | 12,933 | 18,559 | 51,450 |
| Total | 0.00 | \$7,787 | \$4,968 | \$7,133 | \$19,888 | 0.00 | \$19,958 | \$12,933 | \$18,559 | \$51,450 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 63.75 | (2.00) | 0.00 | 61.75 | (2.00) | 0.00 | 61.75 | 61.75 |
| Personal Services | 2,606,998 | 407,696 | 90,335 | 3,105,029 | 407,499 | 234,630 | 3,249,127 | 6,354,156 |
| Operating Expenses | 5,090,874 | 3,425,083 | 4,929,663 | 13,445,620 | 3,324,202 | 3,679,663 | 12,094,739 | 25,540,359 |
| Benefits & Claims | 0 | 1,025,000 | 0 | 1,025,000 | 1,025,000 | 0 | 1,025,000 | 2,050,000 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$7,697,872 | \$4,857,779 | \$5,019,998 | \$17,575,649 | \$4,756,701 | \$3,914,293 | \$16,368,866 | \$33,944,515 |
| General Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State/Other Special | 2,096,708 | 1,575,081 | 3,390,665 | 7,062,454 | 1,524,877 | 2,205,756 | 5,827,341 | 12,889,795 |
| Federal Special | 5,601,164 | 3,282,698 | 1,629,333 | 10,513,195 | 3,231,824 | 1,708,537 | 10,541,525 | 21,054,720 |
| Total Funds | \$7,697,872 | \$4,857,779 | \$5,019,998 | \$17,575,649 | \$4,756,701 | \$3,914,293 | \$16,368,866 | \$33,944,515 |

Program Description

The Remediation Division protects human health and the environment by preventing exposure to hazardous substances that have been released to soil, sediment, surface water, or groundwater. The division also ensures compliance with state and federal regulations. The division's responsibilities include: oversight, investigation, and cleanup activities at state and federal Superfund sites, and voluntary cleanup activities; reclamation of abandoned mine lands; implementation of corrective actions at sites with leaking underground storage tanks; and oversight of groundwater remediation at sites where improper placement of wastes has caused groundwater contamination. This division is divided into two bureaus:

- 1) The Hazardous Waste Site Cleanup Bureau (HWSCB) oversees or conducts the investigation and cleanup of sites contaminated by chemical spills, hazardous substances and petroleum released by industrial and commercial operations other than mining. The bureau works with the Petroleum Tank Release Compensation Board for eligibility and reimbursement determinations, and provides grants to local governments for compliance assistance.
- 2) The Mine Waste Cleanup Bureau (MWCB) is responsible for administering and overseeing remedial actions at historical mine sites, abandoned mines, ore-transport, and processing facilities. It also oversees the provisions of the federal Comprehensive Environmental Response and Liability Act (CERCLA or federal superfund program).

Program Highlights

| Remediation Division Major Program Highlights | |
|--|---|
| ♦ | Funding from the orphan share was adjusted through: <ul style="list-style-type: none"> ♦ A decrease of \$2.0 million in reimbursements for remedial action at qualified sites ♦ An increase of \$1.25 for a remediation study at a multi-party site in NW Montana |
| ♦ | 2.00 FTE were moved to proprietary funding based on job type |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| | | Remediation Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 2,096,708 | 27.2% | \$ 7,417,252 | 41.4% | \$ 5,932,138 | 36.0% |
| | 02058 Petroleum Storage Tank Cleanup | 1,117,596 | 14.5% | 1,315,681 | 7.3% | 1,349,757 | 8.2% |
| | 02070 Hazardous Waste-Cercla | 66,730 | 0.9% | 24,598 | 0.1% | 25,630 | 0.2% |
| | 02075 Ust Leak Prevention Program | (3) | 0.0% | - | - | - | - |
| | 02162 Environmental Quality Protecti | 733,509 | 9.5% | 1,219,264 | 6.8% | 1,244,630 | 7.6% |
| | 02206 Agriculture Monitoring | 6,479 | 0.1% | 54,192 | 0.3% | 7,932 | 0.0% |
| | 02472 Orphan Share Fund | 19,734 | 0.3% | 2,550,446 | 14.2% | 1,051,144 | 6.4% |
| | 02565 Lust Cost Recovery | - | - | 100,000 | 0.6% | 100,000 | 0.6% |
| | 02775 Cercla Go Bonds | - | - | 2,000,000 | 11.2% | 2,000,000 | 12.1% |
| | 02940 Pegasus - Basin | 152,663 | 2.0% | 153,071 | 0.9% | 153,045 | 0.9% |
| | 03000 Total Federal Special Funds | 5,601,164 | 72.8% | 10,513,195 | 58.6% | 10,541,525 | 64.0% |
| | 03036 Deq - Federal Aml Grant | 2,092,485 | 27.2% | - | - | - | - |
| | 03222 Lockwood Superfund Site | 101,945 | 1.3% | 456,399 | 2.5% | 458,210 | 2.8% |
| | 03228 L.U.S.T./Trust | 468,628 | 6.1% | 598,588 | 3.3% | 560,732 | 3.4% |
| 03000 | 03256 Superfund Core | 278,540 | 3.6% | - | - | - | - |
| | 03257 Superfund Multi-Site | 977,109 | 12.7% | 1,753,036 | 9.8% | 1,772,619 | 10.8% |
| | 03262 Epa Ppg | - | - | 149,891 | 0.8% | 153,548 | 0.9% |
| | 03433 Epa Perf Partnership Fy04-05 | 101,566 | 1.3% | - | - | - | - |
| | 03438 Brownsfield State Response | - | - | 1,007,274 | 5.6% | 1,015,770 | 6.2% |
| | 03439 Basin Creek Mine | - | - | 175,000 | 1.0% | 175,000 | 1.1% |
| | 03447 Deq-Federal Aml03 Grant | 1,580,891 | 20.5% | 6,076,552 | 33.9% | 6,099,715 | 37.0% |
| | 03463 Mine Lease/Reclamation | - | - | 75,000 | 0.4% | 75,000 | 0.5% |
| | 03468 Core Cooperative Grant-Fy05 | - | - | 221,455 | 1.2% | 230,931 | 1.4% |
| | Grand Total | <u>\$ 7,697,872</u> | <u>100.0%</u> | <u>\$ 17,930,447</u> | <u>100.0%</u> | <u>\$ 16,473,663</u> | <u>100.0%</u> |

The Remediation Division is funded with a mix of state special revenue and federal special revenue. The division does not receive any general fund. State special revenue comes from the \$.0075 gas tax for petroleum tank cleanup, registration fees for underground storage tanks, and interest proceeds from the resource indemnity trust (RIT) deposited to the environmental protection, orphan share, and hazardous waste accounts. Federal special revenue is derived from the federal Environmental Protection Agency (EPA) for Superfund oversight and various other activities, and the federal Office of Interior funds the Abandoned Mine Lands (AML) program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|--------------------|-----------------------|--------------|---------------|-----------------|-------------|-----------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 644,836 | | | | | 644,962 | |
| Vacancy Savings | | | | (130,071) | | | | | (130,075) | |
| Inflation/Deflation | | | | (5,460) | | | | | (5,263) | |
| Fixed Costs | | | | 57,443 | | | | | 58,786 | |
| Total Statewide Present Law Adjustments | | | | \$566,748 | | | | | | |
| DP 4001 - Haz Waste Cleanup Operations Adjustment | 0.00 | 0 | 131,269 | (30,307) | 100,962 | 0.00 | 0 | 84,997 | (30,490) | 54,507 |
| DP 4002 - Mine Waste Cleanup Operations Adjustment | 0.00 | 0 | 4,000 | (33,874) | (29,874) | 0.00 | 0 | 4,000 | (33,874) | (29,874) |
| DP 4003 - Fiscal & Admin Operations Adjustment | 0.00 | 0 | (49,400) | 70,857 | 21,457 | 0.00 | 0 | (49,400) | 70,446 | 21,046 |
| DP 4004 - Technical Services Operations Adjustment | (2.00) | 0 | 0 | (107,069) | (107,069) | (2.00) | 0 | 0 | (107,388) | (107,388) |
| DP 4006 - Haz Waste Cleanup EQPF Biennial Authority OTO | 0.00 | 0 | 125,000 | 0 | 125,000 | 0.00 | 0 | 125,000 | 0 | 125,000 |
| DP 4008 - Mine Waste & Abandoned Mine Land Authority | 0.00 | 0 | 0 | 2,900,000 | 2,900,000 | 0.00 | 0 | 0 | 2,900,000 | 2,900,000 |
| DP 4009 - Lockwood Biennial Authority-Base | 0.00 | 0 | 0 | 200,000 | 200,000 | 0.00 | 0 | 0 | 200,000 | 200,000 |
| DP 4010 - Orphan Share Biennial Authority Oper. Adj. OTO | 0.00 | 0 | 1,025,000 | 0 | 1,025,000 | 0.00 | 0 | 1,025,000 | 0 | 1,025,000 |
| DP 4011 - Ustfields OTO | 0.00 | 0 | 5,555 | 50,000 | 55,555 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| (2.00) | \$0 | \$1,241,424 | \$3,049,607 | \$4,291,031 | (2.00) | \$0 | \$1,189,597 | \$2,998,694 | \$4,188,291 | |
| Grand Total All Present Law Adjustments | | | | \$4,857,779 | | | | | | |

DP 4001 - Haz Waste Cleanup Operations Adjustment - The legislature approved operating adjustments for the hazardous waste cleanup program and increased authority for agricultural monitoring for contracted services.

DP 4002 - Mine Waste Cleanup Operations Adjustment - The legislature approved an overall operating cost reduction due to a rent decrease and moving expenses associate with moving to a state owned building that are partially offset by increases in travel, operating expenses, and computer equipment, due to a vacancy in the base year. Funding is predominantly federal EPA dollars.

DP 4003 - Fiscal & Admin Operations Adjustment - The legislature approved operational adjustments that are the net of a reduction for decreased rent and non-recurring moving expenses, and an increase in contracted and temporary services and training to adjust for vacancies during the base year.

DP 4004 - Technical Services Operations Adjustment - The legislature approved a reduction due to internal agency reorganization where two information technology positions were moved from the Remediation Division to the Central Management Division.

DP 4006 - Haz Waste Cleanup EQPF Biennial Authority OTO - The legislature approved a \$250,000 state special revenue one-time-only biennial appropriation request for continued contracted services support for cost recovery litigation in the environmental quality protection fund (EQPF). These expenses, as well as remedial costs, will be recovered when litigation is complete.

DP 4008 - Mine Waste & Abandoned Mine Land Authority - The legislature approved \$2.9 million each fiscal year of the 2007 biennium to allow for the expenditure of previously awarded abandoned mine federal funds that were not expended as planned because of forest closures due to ongoing drought conditions, and because the department had not completed planning and review work as rapidly as initially planned.

DP 4009 - Lockwood Biennial Authority-Base - The legislature approved a biennial appropriation of federal authority to continue as technical lead for the Lockwood solvent ground water plume. The department will continue the monitoring/sampling program, and after the consent decree is complete, provide oversight and technical expertise for the remedial design and action on this Superfund site.

DP 4010 - Orphan Share Biennial Authority Oper . Adj. OTO - The legislature approved a one-time-only biennial appropriation from the orphan share account to reimburse eligible remedial action costs from contaminated sites, and to defend the orphan share during the liability allocation process.

DP 4011 - Ustfields OTO - The legislature approved a one-time-only appropriation of state special revenue and federal special revenue in FY 2006 to be used by the Hazardous Waste Cleanup Bureau to clean up abandoned sites contaminated with petroleum in order to create opportunities for redevelopment as well as to protect human health and the environment.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|--------------|--------------------|--------------------|--------------------|-------------|--------------|--------------------|--------------------|--------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 4005 - Brownsfields Grant Authority | | | | | | | | | | |
| 40 | 0.00 | 0 | 0 | 950,000 | 950,000 | 0.00 | 0 | 0 | 950,000 | 950,000 |
| DP 4007 - LUST Cost Recovery Biennial Authority | | | | | | | | | | |
| 40 | 0.00 | 0 | 100,000 | 0 | 100,000 | 0.00 | 0 | 100,000 | 0 | 100,000 |
| DP 4012 - Libby/Troy Asbestos Biennial Authority | | | | | | | | | | |
| 40 | 0.00 | 0 | 0 | 629,663 | 629,663 | 0.00 | 0 | 0 | 629,663 | 629,663 |
| DP 4013 - CERCLA Bond Sales | | | | | | | | | | |
| 40 | 0.00 | 0 | 2,000,000 | 0 | 2,000,000 | 0.00 | 0 | 2,000,000 | 0 | 2,000,000 |
| DP 4014 - Orphan Share Feasibility Study - (R/B/OTO) - SB489 | | | | | | | | | | |
| 40 | 0.00 | 0 | 1,250,000 | 0 | 1,250,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 40 | 0.00 | 0 | 40,665 | 49,670 | 90,335 | 0.00 | 0 | 105,756 | 128,874 | 234,630 |
| Total | 0.00 | \$0 | \$3,390,665 | \$1,629,333 | \$5,019,998 | 0.00 | \$0 | \$2,205,756 | \$1,708,537 | \$3,914,293 |

DP 4005 - Brownsfields Grant Authority - The legislature approved federal special revenue authority each year of the 2007 biennium for the division's federal brownfields grant. A brownfield is a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. The federal grant program funds cleanup to increase opportunities for development and reuse of contaminated sites.

DP 4007 - LUST Cost Recovery Biennial Authority - The legislature approved a state special revenue biennial appropriation to recover federal grant funds expended in the cleanup of contamination from underground storage tanks. Under the Leaking Underground Storage Tank (LUST) federal law, any state-recovered monies are to be used for cleanup of other sites also meeting these site definitions. The recovered funds will supplement the LUST program to continue cleanup efforts where owners/operators of certain tanks are insolvent or recalcitrant.

DP 4012 - Libby/Troy Asbestos Biennial Authority - The legislature approved a biennial appropriation of federal special revenue for site investigation at the Libby/Troy Asbestos site. The town of Troy is part of the Libby Asbestos Site. The remedial investigation activities are intended to identify properties in the Troy area with Libby asbestos contamination.

DP 4013 - CERCLA Bond Sales - The legislature approved \$2 million state special revenue each year of the biennium to spend bond proceeds. This funding will support state obligations at the Libby/Troy, Basin/10-Mile, and East Helena national priority list sites in Montana.

DP 4014 - Orphan Share Feasibility Study - (R/B/OTO) - SB489 - The legislature approved a \$1.50 million one-time only, biennial and restricted general fund appropriation to conduct a remedial investigation and feasibility study at the Kalispell Pole and Timber, Reliance Refinery, and Yale Oil facilities. The study will assist in determining the means and cost of cleanup. SB 489 passed with \$1.25 allocated for this activity. Therefore, HB 2 contains excess authority of \$250,000.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 175.70 | 5.75 | 0.00 | 181.45 | 5.75 | 0.00 | 181.45 | 181.45 |
| Personal Services | 8,095,403 | 792,921 | 346,436 | 9,234,760 | 787,421 | 761,535 | 9,644,359 | 18,879,119 |
| Operating Expenses | 12,236,964 | 6,277,067 | 92,287 | 18,606,318 | (5,733,404) | 80,289 | 6,583,849 | 25,190,167 |
| Equipment | 12,621 | 0 | 0 | 12,621 | 0 | 0 | 12,621 | 25,242 |
| Grants | 1,457,581 | 316,599 | 0 | 1,774,180 | 431,998 | 0 | 1,889,579 | 3,663,759 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$21,802,569 | \$7,386,587 | \$438,723 | \$29,627,879 | (\$4,513,985) | \$841,824 | \$18,130,408 | \$47,758,287 |
| General Fund | 814,615 | 9,888 | 150,616 | 975,119 | 15,586 | 162,255 | 992,456 | 1,967,575 |
| State/Other Special | 13,858,251 | 5,219,242 | 282,776 | 19,360,269 | (2,639,076) | 530,077 | 11,749,252 | 31,109,521 |
| Federal Special | 7,129,703 | 2,157,457 | 5,331 | 9,292,491 | (1,890,495) | 149,492 | 5,388,700 | 14,681,191 |
| Total Funds | \$21,802,569 | \$7,386,587 | \$438,723 | \$29,627,879 | (\$4,513,985) | \$841,824 | \$18,130,408 | \$47,758,287 |

Program Description

The Permitting and Compliance Division administers all DEQ permitting and compliance activities based on 25 state regulatory and five related federal authorities. The division:

- 1) reviews and assesses environmental permit applications (coordinating with other state, local, and federal agencies) to determine control measures needed to ensure compliance with the law and to prevent land, water, and air conditions detrimental to public health, welfare, safety, and the environment;
- 2) prepares supporting environmental documents under the Montana Environmental Policy Act and provides training and technical assistance when needed;
- 3) inspects to determine compliance with permit conditions, laws and rules; and
- 4) provides assistance to resolve the facility's compliance issues when problems are discovered, and when necessary, recommends formal enforcement actions to the Enforcement Division.

Activities are organized into six bureaus: Air Management Bureau (air); Industrial and Energy Minerals Bureau (coal, uranium, opencut); Environmental Management Bureau (hard rock, facility siting); Public Water and Subdivision Bureau (public water supply and subdivision); Water Protection Bureau (water discharge); and Waste and Underground Tank Management Bureau (solid waste, junk vehicles, septage pumpers, hazardous waste, asbestos, underground storage tanks).

Program Highlights

| Permitting and Compliance Division Major Program Highlights | |
|--|---|
| ♦ | \$21.6 million of forfeited bond funding was replaced with budget amendment authority |
| ♦ | 5.75 FTE were added to deal with work load issues |
| ♦ | Increased authority was provided to support increased grants to counties from junk vehicle fees |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Permitting & Compliance | | | | | | | |
|--|--------------------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|--------|
| Program Funding | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 | |
| 01000 | Total General Fund | \$ 814,615 | 3.7% | \$ 975,119 | 3.3% | \$ 992,456 | 5.5% |
| | 01100 General Fund | 814,615 | 3.7% | 975,119 | 3.3% | 992,456 | 5.5% |
| 02000 | Total State Special Funds | 13,858,251 | 63.6% | 19,360,269 | 65.3% | 11,749,252 | 64.8% |
| | 02054 Ust-Installer Lic & Permit Acc | 77,615 | 0.4% | 79,802 | 0.3% | 82,482 | 0.5% |
| | 02065 Washington Gulch Bond Forfeit | 534 | 0.0% | - | - | - | - |
| | 02070 Hazardous Waste-Cercla | 512,821 | 2.4% | 621,481 | 2.1% | 638,743 | 3.5% |
| | 02075 Ust Leak Prevention Program | 302,457 | 1.4% | 285,978 | 1.0% | 299,443 | 1.7% |
| | 02096 Reclamation - Bond Forfeitures | 76,872 | 0.4% | 500,000 | 1.7% | - | - |
| | 02130 Zort/Land Exploration Bond For | 60,909 | 0.3% | 142,000 | 0.5% | - | - |
| | 02138 Zort/Land Open Cut Bond Forfei | 255,618 | 1.2% | - | - | - | - |
| | 02157 Solid Waste Management Fee | 523,131 | 2.4% | 591,520 | 2.0% | 608,673 | 3.4% |
| | 02201 Air Quality-Operating Fees | 2,252,524 | 10.3% | 2,522,869 | 8.5% | 2,604,505 | 14.4% |
| | 02202 Asbestos Control | 144,705 | 0.7% | 168,143 | 0.6% | 168,810 | 0.9% |
| | 02204 Public Drinking Water | 684,121 | 3.1% | 744,355 | 2.5% | 747,363 | 4.1% |
| | 02223 Wastewater Srf Special Admin | - | - | 2,576 | 0.0% | 6,703 | 0.0% |
| | 02278 Mpdcs Permit Program | 822,130 | 3.8% | 1,396,756 | 4.7% | 1,446,459 | 8.0% |
| | 02418 Subdivision Plat Review | 950,471 | 4.4% | 1,169,326 | 3.9% | 1,192,814 | 6.6% |
| | 02420 Bd Of Cert For W&Ww Op | 74,129 | 0.3% | 112,628 | 0.4% | 115,724 | 0.6% |
| | 02421 Hazardous Waste Fees | 5,212 | 0.0% | 55,227 | 0.2% | 55,227 | 0.3% |
| | 02428 Major Facility Siting | 14,957 | 0.1% | 300,000 | 1.0% | - | - |
| | 02438 Pegasus - Beal Mountain | 147,349 | 0.7% | - | - | - | - |
| | 02458 Reclamation & Development | 1,414,378 | 6.5% | 1,675,749 | 5.7% | 1,664,329 | 9.2% |
| | 02521 Pegasus Bankruptcy/Operations | 765,965 | 3.5% | 1,500,000 | 5.1% | - | - |
| | 02845 Junk Vehicle Disposal | 1,574,877 | 7.2% | 1,961,450 | 6.6% | 2,086,591 | 11.5% |
| | 02945 Zortman Reclamation - Comp Bid | 4 | 0.0% | - | - | - | - |
| | 02946 Landusky Reclamation-Comp Bid | 2,667,014 | 12.2% | - | - | - | - |
| | 02952 Zortman Recl-Last (1,500,000) | 388,640 | 1.8% | - | - | - | - |
| | 02953 Landusky Recl-Last (1,500,000) | 113,205 | 0.5% | - | - | - | - |
| | 02954 Septage Fees | 26,409 | 0.1% | 30,409 | 0.1% | 31,386 | 0.2% |
| | 02960 Glacier General Insurance Co | 1,704 | 0.0% | - | - | - | - |
| | 02988 Hard Rock Mining Reclamation | - | - | 5,500,000 | 18.6% | - | - |
| 03000 | Total Federal Special Funds | 7,129,703 | 32.7% | 9,292,491 | 31.4% | 5,388,700 | 29.7% |
| | 03040 Operator Training Reimbursemnt | 151,098 | 0.7% | 537,986 | 1.8% | 554,906 | 3.1% |
| | 03067 Dsl Federal Reclamation Grant | 984,246 | 4.5% | 1,055,350 | 3.6% | 1,096,084 | 6.0% |
| | 03071 Us Forest Service Agreement | 4,370 | 0.0% | - | - | - | - |
| | 03262 Epa Ppg | - | - | 2,785,010 | 9.4% | 2,803,413 | 15.5% |
| | 03326 Blm For Zortman & Landusky | 2,076,613 | 9.5% | 4,000,000 | 13.5% | - | - |
| | 03433 Epa Perf Partnership Fy04-05 | 2,855,491 | 13.1% | - | - | - | - |
| | 03436 Nps 04 Staffing & Support | 88,652 | 0.4% | 98,081 | 0.3% | 101,959 | 0.6% |
| | 03438 Brownsfield State Response | - | - | 87,500 | 0.3% | 87,500 | 0.5% |
| | 03440 Dw Srf 03 | - | - | 642,280 | 2.2% | 656,573 | 3.6% |
| | 03442 Dw Srf 03 | 123,071 | 0.6% | - | - | - | - |
| | 03672 Forest Service - Beal Mtn | 513,733 | 2.4% | - | - | - | - |
| | 03687 Drinking Water Srf Ffy02 | 181,673 | 0.8% | - | - | - | - |
| | 03798 Homeland Water System Security | 137,343 | 0.6% | 86,284 | 0.3% | 88,265 | 0.5% |
| | 03973 Epa Zortman/Landusky Eis | 13,413 | 0.1% | - | - | - | - |
| Grand Total | | \$ 21,802,569 | 100.0% | \$ 29,627,879 | 100.0% | \$ 18,130,408 | 100.0% |

The division is funded with general fund and a variety of state and federal special revenue sources. The general fund provides four percent of the total funding and supports operating expenses.

State special revenues consists of forfeited hard rock reclamation bonds, proceeds from reclamation bonds, and fees collected for various activities, such as air permits, junk vehicle fines, and subdivision reviews. The division also receives Resource Indemnity Trust (RIT) interest via the reclamation and development account.

Federal special revenue sources include the Environmental Protection Agency, the Bureau of Land Management, and the Department of State Lands.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|-------------|---------------|---------------|---------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | | | | |
| Personal Services | | | | 889,552 | | | | | 887,311 | | | | |
| Vacancy Savings | | | | (359,405) | | | | | (359,304) | | | | |
| Inflation/Deflation | | | | (26,861) | | | | | (26,308) | | | | |
| Fixed Costs | | | | 101,880 | | | | | 105,386 | | | | |
| Total Statewide Present Law Adjustments | | | | \$605,166 | | | | | \$607,085 | | | | |
| DP 5001 - Air Operating Adjustment | 0.00 | 1,803 | 78,413 | 9,914 | 90,130 | 0.00 | 1,935 | 84,188 | 10,645 | 96,768 | | | |
| DP 5002 - Industrial & Energy Minerals Bur. Operating Adj | 0.00 | 0 | 86,274 | 24,859 | 111,133 | 0.00 | 3,316 | 39,706 | 30,166 | 73,188 | | | |
| DP 5003 - Environmental Mgmt Bureau Admin Operating Adjust | 0.00 | 17,080 | 34,678 | 0 | 51,758 | 0.00 | 18,143 | 36,837 | 0 | 54,980 | | | |
| DP 5004 - Hard Rock and MFSA Projects Operating Adjustments | 0.00 | 0 | 3,448,688 | 1,391,871 | 4,840,559 | 0.00 | 0 | (4,493,312) | (2,608,129) | (7,101,441) | | | |
| DP 5005 - Public Water & Subdivisions Operations Adjustment | 0.00 | 0 | 76,325 | 458,086 | 534,411 | 0.00 | 0 | 75,176 | 473,273 | 548,449 | | | |
| DP 5006 - Water Protection Bureau Operating Adjustment | 0.00 | 2,210 | 34,430 | 22,397 | 59,037 | 0.00 | 2,395 | 37,544 | 23,569 | 63,508 | | | |
| DP 5007 - PCD Administration Operating Adjustment | 0.00 | 0 | 5,000 | 0 | 5,000 | 0.00 | 0 | 5,000 | 0 | 5,000 | | | |
| DP 5008 - Waste & Underground Tank Mngmt Operating Adj | 0.00 | 1,069 | 179,762 | 650 | 181,481 | 0.00 | 1,407 | 184,306 | 2,632 | 188,345 | | | |
| DP 5010 - Water Protection Bureau Wastewater Permitting | 3.00 | 0 | 220,124 | 0 | 220,124 | 3.00 | 0 | 205,978 | 0 | 205,978 | | | |
| DP 5013 - Air Quality Research Technical Study-OTO | 0.00 | 0 | 0 | 50,000 | 50,000 | 0.00 | 0 | 0 | 0 | 0 | | | |
| DP 5015 - Public Water Supply & Subdivision FTE | 2.75 | 0 | 81,807 | 59,450 | 141,257 | 2.75 | 0 | 72,685 | 59,450 | 132,135 | | | |
| DP 5016 - Increase Grants to Counties | 0.00 | 0 | 316,599 | 0 | 316,599 | 0.00 | 0 | 431,998 | 0 | 431,998 | | | |
| DP 5018 - Permitting & Compliance Division - Vehicles | 0.00 | 0 | 4,932 | 0 | 4,932 | 0.00 | 0 | 5,022 | 0 | 5,022 | | | |
| DP 5024 - PCD Data Management OTO | 0.00 | 0 | 75,000 | 0 | 75,000 | 0.00 | 0 | 75,000 | 0 | 75,000 | | | |
| DP 5025 - Subdivision Training & Review OTO | 0.00 | 0 | 100,000 | 0 | 100,000 | 0.00 | 0 | 100,000 | 0 | 100,000 | | | |
| Total Other Present Law Adjustments | | | | 5.75 | \$22,162 | \$4,742,032 | \$2,017,227 | \$6,781,421 | 5.75 | \$27,196 | (\$3,139,872) | (\$2,008,394) | (\$5,121,070) |
| Grand Total All Present Law Adjustments | | | | | \$7,386,587 | | | | | | | | (\$4,513,985) |

DP 5001 - Air Operating Adjustment - The legislature approved an operating adjustment to correct for an incorrect position classification, and to account for agency indirect charges resulting from increased staffing.

DP 5002 - Industrial & Energy Minerals Bur. Operating Adj - The legislature approved operating adjustments for contracted services to support personal desktop GIS projects, increased indirect charges due to increased staffing, overtime, rent increases in non-state owned buildings, and operating expenses including travel, field supplies, and computers.

DP 5003 - Environmental Mgmt Bureau Admin Operating Adjust - The legislature approved operating adjustments to pay for increased costs for assistance on environmental assessment contracts, lab analysis, printing, and supplies, as well as to restore travel and indirect assessments due to vacancies during the base year. This adjustment includes authority for the Major Facility Siting Act (MFSA) program to support work by the department on projects no longer covered by fees but still required by law.

DP 5004 - Hard Rock and MFSA Projects Operating Adjustments - The legislature approved \$11.4 million for projects administered by the hard rock and Major Facility Siting Act (MFSA) programs. Projects include contracted reclamation of MFSA review activities and mine sites.

DP 5005 - Public Water & Subdivisions Operations Adjustment - The legislature approved operational cost adjustments in the Public Water and Subdivision Bureau. The adjustment included anticipated overtime, contract services, employee travel, non-employee travel, rent in non-state owned buildings, training, and increased indirect costs. The adjustment is the result of vacancies and conversion of operator certification testing and study materials to nationally accepted standards.

DP 5006 - Water Protection Bureau Operating Adjustment - The legislature approved a base adjustment to restore analytical costs, and travel, and to increase indirect costs due to vacancies in the base year.

DP 5007 - PCD Administration Operating Adjustment - The legislature approved an operating adjustment of contracted services to assist with personnel issues and increased travel. This would be funded with state special revenue from the reclamation and development fund.

DP 5008 - Waste & Underground Tank Mngmt Operating Adj - The legislature approved an operating adjustment in the solid waste, asbestos, and junk vehicle programs.

DP 5010 - Water Protection Bureau Wastewater Permitting - The legislature approved the addition of 3.00 FTE to increase the efficiency in the permitting processing. This request adds fees from pollutant discharge elimination permits to fund FTE to eliminate work backlogs and address anticipated increases in the permitting program due to coal bed methane development. The 3.00 FTE would include one engineer, one water quality specialist data expert, and one administrative support position.

DP 5013 - Air Quality Research Technical Study-OTO - The legislature approved a one-time-only restricted appropriation in FY 2006 to conduct emission sampling and analysis to establish unique PM-2.5 emission "fingerprints" for PM-2.5 sources in the Libby area. PM-2.5 is a fine particulate standard adopted several years ago by the EPA.

DP 5015 - Public Water Supply & Subdivision FTE - The legislature approved 2.75 FTE to meet mandated water system plan review processing time frames, and provide for plan review engineers to complete pre-application meetings with water system design consultants, owners, and operators.

DP 5016 - Increase Grants to Counties - The legislature approved funding to increase grant authority to counties for the subdivision and junk vehicle programs.

DP 5018 - Permitting & Compliance Division - Vehicles - The legislature approved \$4,932 in FY 2006 and \$5,022 in FY 2007 of state special revenue for one leased vehicle from the state Motor Pool.

DP 5024 - PCD Data Management OTO - The legislature approved a one-time-only, restricted, biennial, appropriation to continue data development projects currently in place, and for maintenance of data management systems already in place. Projects being developed are for air, hard rock, and openpit programs.

DP 5025 - Subdivision Training & Review OTO - The legislature approved a \$200,000 restricted, one-time only, biennial appropriation that would provide training to realtors, developers, consultants, engineers, and county officials on the procedures of subdivision design and review under the requirements of the Sanitation in Subdivisions Act. The adjustments will also allow for contracting with an outside entity to assist in subdivision plan reviews to deal with fluctuating workload.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|------------------|-----------------|------------------|-------------|------------------|------------------|------------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 5020 - Hazardous Waste - Brownsfield Biennial Authority | | | | | | | | | | |
| 50 | 0.00 | 0 | 0 | 87,500 | 87,500 | 0.00 | 0 | 0 | 87,500 | 87,500 |
| DP 5026 - RHODIA Settlement | | | | | | | | | | |
| 50 | 0.00 | 0 | 85,610 | (172,300) | (86,690) | 0.00 | 0 | 85,611 | (172,300) | (86,689) |
| DP 5027 - Termination Pay | | | | | | | | | | |
| 50 | 0.00 | 4,171 | 11,002 | 0 | 15,173 | 0.00 | 0 | 0 | 0 | 0 |
| DP 5050 - Indoor Cleanup Standards for Methamphetamine Labs | | | | | | | | | | |
| 50 | 0.00 | 131,397 | 0 | 0 | 131,397 | 0.00 | 123,762 | 0 | 0 | 123,762 |
| DP 5065 - CAFO Inventory (Restricted/Biennial/OTO) | | | | | | | | | | |
| 50 | 0.00 | 0 | 25,000 | 0 | 25,000 | 0.00 | 0 | 25,000 | 0 | 25,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 50 | 0.00 | 15,048 | 161,164 | 90,131 | 266,343 | 0.00 | 38,493 | 419,466 | 234,292 | 692,251 |
| Total | 0.00 | \$150,616 | \$282,776 | \$5,331 | \$438,723 | 0.00 | \$162,255 | \$530,077 | \$149,492 | \$841,824 |

DP 5020 - Hazardous Waste - Brownsfield Biennial Authority - The legislature approved a biennial appropriation of federal Brownsfield funding to continue contracted technical assistance for the review of contaminated sites redevelopment proposals. The purpose of the federal grant is to encourage the reuse and redevelopment of contaminated properties as commercial or industrial sites.

DP 5026 - RHODIA Settlement - The legislature approved a reduction in the base budget to be replaced with non-appropriated private funds received from the RHODIA Inc. criminal settlement. The court awarded the department \$1.8 million in restitution for violations of the state's hazardous waste permitting requirements. The court directed the money be used in implementing the state's hazardous waste program.

DP 5027 - Termination Pay - The legislature approved a one-time-only appropriation to cover the retirement payout of a long-term employee.

DP 5050 - Indoor Cleanup Standards for Methamphetamine Labs - The legislature approved general fund for 1.50 FTE and operations to support the development of cleanup standards for indoor methamphetamine labs.

DP 5065 - CAFO Inventory (Restricted/Biennial/OTO) - The legislature approved state special revenue to complete an inventory of the types, and number of active operations that fall under current CAFO regulations.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 6.00 | 0.00 | 0.00 | 6.00 | 0.00 | 0.00 | 6.00 | 6.00 |
| Personal Services | 191,869 | 76,369 | 8,300 | 276,538 | 75,693 | 21,616 | 289,178 | 565,718 |
| Operating Expenses | 243,292 | 82,268 | 0 | 325,560 | 82,405 | 0 | 325,697 | 651,257 |
| Total Costs | \$435,161 | \$158,637 | \$8,300 | \$602,098 | \$158,098 | \$21,616 | \$614,875 | \$1,216,973 |
| State/Other Special | 435,161 | 158,637 | 8,300 | 602,098 | 158,098 | 21,616 | 614,875 | 1,216,973 |
| Total Funds | \$435,161 | \$158,637 | \$8,300 | \$602,098 | \$158,098 | \$21,616 | \$614,875 | \$1,216,973 |

Program Description

The Petroleum Tank Release Compensation Board is attached to the department for administrative purposes. The purpose of the board is to administer the petroleum tank release cleanup fund. This includes reimbursement to petroleum storage tank owners and operators for corrective action costs, and compensation paid to third parties for bodily injury and property damage resulting from a release of petroleum from a petroleum storage tank. The board has a staff of 6.00 FTE.

Program Highlights

| Petroleum Tank Release Compensation Board Major Program Highlights | |
|---|---|
| ♦ | The legislature approved an increase in state special revenue for legal services and fees |
| ♦ | Language was approved to provide the department with authority to pay a third party to collect from insurance companies |

Funding

The board is funded solely through a portion of the \$0.0075 fee on gasoline, diesel, heating oil, and aviation fuel distributed in Montana.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|------|--------------|---------------|-----------------|------------------|
| FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 87,546 | | | | | 86,841 |
| Vacancy Savings | | | | (11,177) | | | | | (11,148) |
| Inflation/Deflation | | | | (74) | | | | | (73) |
| Fixed Costs | | | | 12,342 | | | | | 12,478 |
| Total Statewide Present Law Adjustments | | | | \$88,637 | | | | | \$88,098 |
| DP 9001 - Petro Board Operating Adjustment | | | | | | | | | |
| 0.00 | 0 | 70,000 | 0 | 70,000 | 0.00 | 0 | 70,000 | 0 | 70,000 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$70,000 | \$0 | \$70,000 | 0.00 | \$0 | \$70,000 | \$0 | \$70,000 |
| Grand Total All Present Law Adjustments | | | | \$158,637 | | | | | \$158,098 |

DP 9001 - Petro Board Operating Adjustment - The legislature approved a base adjustment of state special revenue each year of the 2007 biennium for increased legal activity associated with claim subrogation.

New Proposals

| New Proposals | | | | | | | | | |
|---|-------------|--------------|----------------|-----------------|----------------|-------------|--------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | |
| 90 | 0.00 | 0 | 8,300 | 0 | 8,300 | 0.00 | 0 | 21,616 | 0 |
| Total | 0.00 | \$0 | \$8,300 | \$0 | \$8,300 | 0.00 | \$0 | \$21,616 | \$0 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The department is authorized to expend up to 25% of subrogated petroleum tank release compensation funds to pay contract expenses associated with release subrogation activities. Expenditure of these funds is limited to the fee collected."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 145.49 | (10.50) | 1.00 | 135.99 | (10.50) | 1.00 | 135.99 | 135.99 |
| Personal Services | 5,372,423 | 288,200 | 231,435 | 5,892,058 | 282,839 | 525,129 | 6,180,391 | 12,072,449 |
| Operating Expenses | 1,924,622 | 418,195 | 11,270 | 2,354,087 | 388,958 | 9,120 | 2,322,700 | 4,676,787 |
| Equipment | 129,713 | (14,850) | 0 | 114,863 | 43,350 | 0 | 173,063 | 287,926 |
| Total Costs | \$7,426,758 | \$691,545 | \$242,705 | \$8,361,008 | \$715,147 | \$534,249 | \$8,676,154 | \$17,037,162 |
| General Fund | 521,303 | 31,011 | 56,513 | 608,827 | 29,095 | 76,951 | 627,349 | 1,236,176 |
| State/Other Special | 5,627,536 | 473,328 | 146,244 | 6,247,108 | 501,449 | 382,596 | 6,511,581 | 12,758,689 |
| Federal Special | 1,277,919 | 187,206 | 39,948 | 1,505,073 | 184,603 | 74,702 | 1,537,224 | 3,042,297 |
| Total Funds | \$7,426,758 | \$691,545 | \$242,705 | \$8,361,008 | \$715,147 | \$534,249 | \$8,676,154 | \$17,037,162 |

Agency Description

The Department of Livestock is responsible for controlling and eradicating animal diseases, preventing the transmission of animal diseases to humans, protecting the livestock industry from theft and predatory animals, and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer; the Livestock Crimestoppers' Commission; and the Beef Research and Marketing Committee. The department is organized into five divisions: Animal Health, Centralized Services, Brand-Enforcement, Diagnostic Laboratory, and Meat, Milk, and Egg Inspection. The 57th Legislature added the Board of Horse Racing and its staff to the Department of Livestock. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

Agency Highlights

| Department of Livestock Major Budget Highlights | |
|---|--|
| Total funding increases of \$2.1 million or 14.7 percent over the FY 2004 base year are due to: | |
| ♦ | Statewide and other present law adjustments of \$1.4 million are for: <ul style="list-style-type: none"> • \$451,586 for continued participation in the state-federal cooperative agreement for brucellosis management • \$439,544 in personal services and fixed costs • \$188,610 for overtime pay for brands inspectors during the fall run • Purchase of 6 vehicles across the agency totaling \$156,000 • Remaining increases are primarily for rent, travel, and per diem |
| ♦ | New proposals of \$776,954 are for: <ul style="list-style-type: none"> • \$656,956 to implement HB 447 statewide pay plan • \$119,996 for additional meat inspectors due to increased workloads in eastern Montana |
| ♦ | The legislature appropriated additional funding in HB 484 for additional inspections and licensing for mobile slaughter facilities |

Summary of Legislative Action

The legislature increased the Department of Livestock budget by \$2.1 million over the fiscal 2004 base expenditures primarily for statewide and other present law adjustments of \$1.4 million and funding the new statewide pay plan in HB 447 of \$657,000.

Of the \$2.1 million increase, general fund accounts for \$193,570 or 8 percent and is primarily used for matching federal funds in the Meat and Poultry Inspection program for additional meat inspectors in eastern Montana. Per cooperative agreement with the United States Department of Agriculture (USDA), state special revenue funds cannot be used when they are derived through a fee on the producers being inspected by the program.

State special revenue increased by \$1.5 million or 70 percent and primarily funds the increases in statewide and other present law adjustments of \$1.4 million and the bulk of the new statewide pay plan in HB 447.

Federal special revenue increased by \$486,459 or 22 percent over the biennium and continues the cooperative agreement for brucellosis management and the Greater Yellowstone Interagency Brucellosis Committee of \$451,586.

Funding

The following table shows funding, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|--------------|---------------|--------------|---------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Centralized Services Program | \$ - | \$ 3,220,346 | \$ 134,688 | \$ 3,355,034 | 19.69% |
| 03 Diagnostic Laboratory Program | 190,054 | 2,531,498 | - | 2,721,552 | 15.97% |
| 04 Animal Health Division | - | 1,022,000 | 1,822,442 | 2,844,442 | 16.70% |
| 05 Milk & Egg Program | - | 539,427 | 86,767 | 626,194 | 3.68% |
| 06 Brands Enforcement Division | - | 5,431,831 | - | 5,431,831 | 31.88% |
| 10 Meat/Poultry Inspection | 1,046,122 | 13,587 | 998,400 | 2,058,109 | 12.08% |
| Grand Total | \$ 1,236,176 | \$ 12,758,689 | \$ 3,042,297 | \$ 17,037,162 | 100.00% |

The Department of Livestock is funded by general fund, state special revenue, and federal special revenue.

General fund supports two programs within livestock: 1) the diagnostic lab in Bozeman; and 2) meat/poultry inspections. The diagnostic lab receives general fund for its role in testing for public health and safety related diseases. Funding for meat inspections is a 50-50 match of general fund and federal special revenue.

The livestock per capita account is the largest state special revenue account and funds a multitude of programs. Per capita revenue is generated by taxation on the ownership of livestock and interest earnings on the fund balance. The animal health account also funds a variety of services and derives its revenues from lab testing fees and milk tax inspection.

Sixty-two percent of the federal special revenue comes from the bison operational cooperative agreement for \$660,000 over the biennium, and the Greater Yellowstone Interagency Brucellosis Committee grant for \$237,500 over the biennium. About 30 percent of the funding comes from the USDA in matching funds for meat and poultry inspections.

Other Legislation

House Bill 484 – HB 484 defines what a mobile slaughter facility is and establishes licensing for those facilities. HB 484 requires these mobile facilities to comply with the same inspections and regulations required of all slaughter facilities throughout Montana. The legislature appropriated approximately \$92,000 in FY 2006 and \$85,000 in FY 2007 for the anticipated increase in expenditures for licensing and inspections. The source of revenue for HB 484 is 50 percent general fund and 50 percent federal funds.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 145.49 | 135.99 | 135.99 | 0.00 | 135.99 | 135.99 | 0.00 | |
| Personal Services | 5,372,423 | 5,689,161 | 5,892,058 | 202,897 | 5,683,730 | 6,180,391 | 496,661 | 699,558 |
| Operating Expenses | 1,924,622 | 2,321,087 | 2,354,087 | 33,000 | 2,289,700 | 2,322,700 | 33,000 | 66,000 |
| Equipment | 129,713 | 114,863 | 114,863 | 0 | 173,063 | 173,063 | 0 | 0 |
| Total Costs | \$7,426,758 | \$8,125,111 | \$8,361,008 | \$235,897 | \$8,146,493 | \$8,676,154 | \$529,661 | \$765,558 |
| General Fund | 521,303 | 570,368 | 608,827 | 38,459 | 567,342 | 627,349 | 60,007 | 98,466 |
| State/Other Special | 5,627,536 | 6,071,564 | 6,247,108 | 175,544 | 6,099,685 | 6,511,581 | 411,896 | 587,440 |
| Federal Special | 1,277,919 | 1,483,179 | 1,505,073 | 21,894 | 1,479,466 | 1,537,224 | 57,758 | 79,652 |
| Total Funds | \$7,426,758 | \$8,125,111 | \$8,361,008 | \$235,897 | \$8,146,493 | \$8,676,154 | \$529,661 | \$765,558 |

For the biennium, the legislative budget is \$765,558 more in total funds than the executive budget. General fund is \$98,446 higher for an increase of 12 percent over the executive proposal for the 2007 biennium. The primary differences between the legislative and executive budgets are due to the following:

- A contingent line item for an additional meat inspector due to workload increases of \$25,000 general fund each year
- An accounting error in the base year that left out \$28,000 in printing costs each year.
- HB 447, the statewide pay plan increased the following authority over the biennium: general fund - \$48,466; state special revenue - \$528,839; federal special revenue - \$79,652

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 23.28 | (3.50) | 0.00 | 19.78 | (3.50) | 0.00 | 19.78 | 19.78 |
| Personal Services | 822,944 | 55,123 | 28,446 | 906,513 | 54,758 | 74,208 | 951,910 | 1,858,423 |
| Operating Expenses | 697,064 | 65,832 | 0 | 762,896 | 36,651 | 0 | 733,715 | 1,496,611 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$1,520,008 | \$120,955 | \$28,446 | \$1,669,409 | \$91,409 | \$74,208 | \$1,685,625 | \$3,355,034 |
| State/Other Special | 1,454,977 | 120,955 | 27,191 | 1,603,123 | 91,409 | 70,837 | 1,617,223 | 3,220,346 |
| Federal Special | 65,031 | 0 | 1,255 | 66,286 | 0 | 3,371 | 68,402 | 134,688 |
| Total Funds | \$1,520,008 | \$120,955 | \$28,446 | \$1,669,409 | \$91,409 | \$74,208 | \$1,685,625 | \$3,355,034 |

Program Description

The Centralized Services Division is responsible for budgeting, accounting, payroll, personnel, legal services, purchasing, administrative, information technology, and general services functions for the department. The division also provides the overall management of the Milk Control Bureau. The Board of Livestock and the executive officer administer the Predator Control Program. Although the board placed the predator function in this division during the 2003 biennium, all functions remain unchanged, including the two aircraft and the contract with U.S. Department of Agriculture Wildlife Services. Through helicopter hunting and contracts, predators that kill or injure domestic livestock, primarily coyotes, are controlled.

The Livestock Crimestoppers' Commission and the Beef Research and Marketing Committee are administratively attached. The 57th Legislature moved the Board of Horse Racing to the Department of Livestock. This board and its staff report directly to the executive officer.

Program Highlights

| Centralized Services Program Major Budget Highlights | |
|---|--|
| ♦ | The approved budget reduces 3.50 FTE due to revenue shortfalls caused by the extended drought conditions throughout the state of Montana |
| ♦ | Increased funding is due primarily to statewide present law adjustments and the statewide pay plan |

Funding

The following table shows funding, by source, for the base year and for the 2007 biennium.

| | | Program Funding Table Centralized Services Program | | | | | |
|-----------------|--------------------------------------|---|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 1,454,977 | 95.7% | \$ 1,603,123 | 96.0% | \$ 1,617,223 | 95.9% |
| | 02029 Board Of Horse Racing | 175,272 | 11.5% | 201,950 | 12.1% | 209,364 | 12.4% |
| | 02426 Lvstk Per Capita | 1,095,090 | 72.0% | 1,206,575 | 72.3% | 1,205,276 | 71.5% |
| | 02817 Milk Control Bureau | 184,615 | 12.1% | 194,598 | 11.7% | 202,583 | 12.0% |
| 03000 | Total Federal Special Funds | 65,031 | 4.3% | 66,286 | 4.0% | 68,402 | 4.1% |
| | 03209 Meat/Poultry Inspection Sp Rev | 65,031 | 4.3% | 66,286 | 4.0% | 68,402 | 4.1% |
| | 03707 Homeland Security | - | - | - | - | - | - |
| Grand Total | | \$ 1,520,008 | 100.0% | \$ 1,669,409 | 100.0% | \$ 1,685,625 | 100.0% |

The Centralized Services Program (CSP) is funded with state and federal special revenue. State special revenue consists of livestock per capita fee and the Milk Control Bureau. The Board of Horse Racing is funded entirely with the Board of Horse Racing state special revenue, about 12 percent of total revenue. Livestock per capita fees fund about 73 percent of total costs and the Milk Control Bureau funds 12 percent. Federal special revenue comes from meat and poultry inspection, and comprises about 4 percent of total revenues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 243,574 | | | | | 243,712 |
| Vacancy Savings | | | | | (42,662) | | | | | (42,663) |
| Inflation/Deflation | | | | | (16,121) | | | | | (16,116) |
| Fixed Costs | | | | | 35,590 | | | | | 6,212 |
| Total Statewide Present Law Adjustments | | | | | \$220,381 | | | | | \$191,145 |
| DP 1 - Information Technology Departmental Equipment | 0.00 | 0 | 12,730 | 0 | 12,730 | 0.00 | 0 | 12,730 | 0 | 12,730 |
| DP 2 - FTE Reduction - Centralized Services Division | (3.00) | 0 | (129,839) | 0 | (129,839) | (3.00) | 0 | (130,408) | 0 | (130,408) |
| DP 104 - Board of Livestock - Per Diem | 0.00 | 0 | 8,550 | 0 | 8,550 | 0.00 | 0 | 8,550 | 0 | 8,550 |
| DP 105 - Board of Horse Racing - Office Rent | (0.50) | 0 | 4,629 | 0 | 4,629 | (0.50) | 0 | 4,888 | 0 | 4,888 |
| DP 106 - Out of State Travel-CSD | 0.00 | 0 | 3,204 | 0 | 3,204 | 0.00 | 0 | 3,204 | 0 | 3,204 |
| DP 107 - Board of Horse Racing - Per Diem | 0.00 | 0 | 1,300 | 0 | 1,300 | 0.00 | 0 | 1,300 | 0 | 1,300 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | (3.50) | \$0 | (\$99,426) | \$0 | (\$99,426) | (3.50) | \$0 | (\$99,736) | \$0 | (\$99,736) |
| Grand Total All Present Law Adjustments | | | | | \$120,955 | | | | | \$91,409 |

DP 1 - Information Technology Departmental Equipment - The legislature approved additional livestock per capita fee authority to replace 10 computers each year of the 2007 biennium. This is in accordance with the department's four-year replacement plan.

DP 2 - FTE Reduction - Centralized Services Division - The legislature approved eliminating 3.00 FTE: an attorney, accounting technician, and a programmer/analyst. Livestock per capita fee state special revenue cost savings is \$129,839 in FY 2006 and \$130,408 in FY 2007.

DP 104 - Board of Livestock - Per Diem - The legislature approved additional livestock per capita fee authority each year of the biennium to fund per diem costs for the Board of Livestock.

DP 105 - Board of Horse Racing - Office Rent - The legislature approved additional state special revenue over the biennium for an increase in rent for the Board of Horse Racing.

DP 106 - Out of State Travel-CSD - The legislature approved an additional \$3,204 state special revenue authority each year of the biennium for out-of-state travel for the executive staff and some Board of Livestock members.

DP 107 - Board of Horse Racing - Per Diem - The legislature approved per diem of \$1,300 each year in the biennium for the Board of Horse Racing. The funding source for this authority is state special revenue.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | Total Funds |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 0 | 27,191 | 1,255 | 28,446 | 0.00 | 0 | 70,837 | 3,371 | 74,208 |
| Total | 0.00 | \$0 | \$27,191 | \$1,255 | \$28,446 | 0.00 | \$0 | \$70,837 | \$3,371 | \$74,208 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 21.00 | (0.50) | 0.00 | 20.50 | (0.50) | 0.00 | 20.50 | 20.50 |
| Personal Services | 841,232 | 80,312 | 28,428 | 949,972 | 78,920 | 74,229 | 994,381 | 1,944,353 |
| Operating Expenses | 358,119 | 25,044 | 0 | 383,163 | 29,717 | 0 | 387,836 | 770,999 |
| Equipment | 66,850 | (66,850) | 0 | 0 | (60,650) | 0 | 6,200 | 6,200 |
| Total Costs | \$1,266,201 | \$38,506 | \$28,428 | \$1,333,135 | \$47,987 | \$74,229 | \$1,388,417 | \$2,721,552 |
| General Fund | 91,911 | 0 | 1,742 | 93,653 | 0 | 4,490 | 96,401 | 196,054 |
| State/Other Special | 1,174,290 | 38,506 | 26,686 | 1,239,482 | 47,987 | 69,739 | 1,292,016 | 2,531,498 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$1,266,201 | \$38,506 | \$28,428 | \$1,333,135 | \$47,987 | \$74,229 | \$1,388,417 | \$2,721,552 |

Program Description

The Diagnostic Laboratory provides livestock laboratory diagnostic support for the Disease Control Program, Milk and Egg program, and livestock producers. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners, veterinarians, the Department of Fish, Wildlife and Parks and other agencies in protecting the health of animals, wildlife, and the public.

Program Highlights

| Diagnostic Laboratory Major Budget Highlights | |
|--|---|
| ♦ | The legislative budget includes reductions in the diagnostic laboratory of \$164,192 over the biennium for equipment expenditures in the base year that are not needed in the 2007 biennium |
| ♦ | Increased funding is due primarily to statewide present law adjustments and the statewide pay plan |

Funding

The following table shows funding, by source, for the base year and for the 2007 biennium.

| Program Funding Table Diagnostic Laboratory Program | | | | | | |
|--|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 Total General Fund | \$ 91,911 | 7.3% | \$ 93,653 | 7.0% | \$ 96,401 | 6.9% |
| 01100 General Fund | 91,911 | 7.3% | 93,653 | 7.0% | 96,401 | 6.9% |
| 02000 Total State Special Funds | 1,174,290 | 92.7% | 1,239,482 | 93.0% | 1,292,016 | 93.1% |
| 02426 Lvstk Per Capita | 196,499 | 15.5% | 203,962 | 15.3% | 210,370 | 15.2% |
| 02427 Animal Health | 977,791 | 77.2% | 1,035,520 | 77.7% | 1,081,646 | 77.9% |
| Grand Total | \$ 1,266,201 | 100.0% | \$ 1,333,135 | 100.0% | \$ 1,388,417 | 100.0% |

The Diagnostic Laboratory Program is funded with a mixture of general fund and state special revenue. General fund accounts for 19 percent of total funding and has historically been authorized for public health related testing. State special revenue is about 81 percent of total funding and comes from two primary sources: 1) the animal health account, which receives revenue from lab inspections, testing fees, and the milk tax and accounts for 65 percent of total state special revenue; and 2) the livestock per capita fee, which is derived from a tax upon each head of livestock owned by producers.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|-----------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 137,760 | | | | | 136,429 |
| Vacancy Savings | | | | (39,159) | | | | | (39,106) |
| Inflation/Deflation | | | | 2,401 | | | | | 1,789 |
| Total Statewide Present Law Adjustments | | | | \$101,002 | | | | | \$99,112 |
| DP 301 - Diagnostic Lab Equipment | | | | | | | | | |
| 0.00 | 0 | (28,350) | 0 | (28,350) | 0.00 | 0 | (22,150) | 0 | (22,150) |
| DP 302 - FTE Reduction - Diagnostic Laboratory | | | | | | | | | |
| (0.50) | 0 | (18,289) | 0 | (18,289) | (0.50) | 0 | (18,403) | 0 | (18,403) |
| DP 304 - Lab Recharges - MSU Facilities Management | | | | | | | | | |
| 0.00 | 0 | 19,561 | 0 | 19,561 | 0.00 | 0 | 24,846 | 0 | 24,846 |
| DP 306 - Out of State Travel -Lab | | | | | | | | | |
| 0.00 | 0 | 3,082 | 0 | 3,082 | 0.00 | 0 | 3,082 | 0 | 3,082 |
| DP 307 - Reduction - Milk Lab Equipment | | | | | | | | | |
| 0.00 | 0 | (38,500) | 0 | (38,500) | 0.00 | 0 | (38,500) | 0 | (38,500) |
| Total Other Present Law Adjustments | | | | | | | | | |
| (0.50) | \$0 | (\$62,496) | \$0 | (\$62,496) | (0.50) | \$0 | (\$51,125) | \$0 | (\$51,125) |
| Grand Total All Present Law Adjustments | | | | \$38,506 | | | | | \$47,987 |

DP 301 - Diagnostic Lab Equipment - The legislature approved a reduction in equipment expenditures of \$28,350 in FY 2006, and approved purchasing a photocopier costing \$6,200 in FY 2007. The net reduction in equipment expenditures in FY 2007 is \$22,150.

DP 302 - FTE Reduction - Diagnostic Laboratory - The legislature approved reducing the administrative support position from full-time to part-time in the diagnostic laboratory. The cost savings associated with this reduction is \$18,829 in FY 2006 and \$18,403 in FY 2007.

DP 304 - Lab Recharges - MSU Facilities Management - The legislature approved additional state special revenue authority for increased facility services recharges from Montana State University (MSU). Funding is from the livestock per capita fund.

DP 306 - Out of State Travel -Lab - The legislature approved an increase in animal health authority of \$3,082 a year in order to allow out-of-state travel for key lab personnel. The amount approved would restore historical averages for out-of-state travel.

DP 307 - Reduction - Milk Lab Equipment - The legislature approved a reduction in equipment expenditures of \$38,500 each year.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|-----------------|-----------------|-----------------|-------------|----------------|-----------------|-----------------|-----------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 03 | 0.00 | 1,742 | 26,686 | 0 | 28,428 | 0.00 | 4,490 | 69,739 | 0 | 74,229 |
| Total | 0.00 | \$1,742 | \$26,686 | \$0 | \$28,428 | 0.00 | \$4,490 | \$69,739 | \$0 | \$74,229 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 17.00 | (3.00) | 0.00 | 14.00 | (3.00) | 0.00 | 14.00 | 14.00 |
| Personal Services | 546,639 | 80,050 | 20,200 | 646,889 | 78,931 | 52,591 | 678,161 | 1,325,050 |
| Operating Expenses | 416,083 | 267,913 | 0 | 683,996 | 267,587 | 0 | 683,670 | 1,367,666 |
| Equipment | 62,863 | 0 | 0 | 62,863 | 26,000 | 0 | 88,863 | 151,726 |
| Total Costs | \$1,025,585 | \$347,963 | \$20,200 | \$1,393,748 | \$372,518 | \$52,591 | \$1,450,694 | \$2,844,442 |
| State/Other Special | 274,981 | 201,064 | 12,642 | 488,687 | 225,619 | 32,713 | 533,313 | 1,022,000 |
| Federal Special | 750,604 | 146,899 | 7,558 | 905,061 | 146,899 | 19,878 | 917,381 | 1,822,442 |
| Total Funds | \$1,025,585 | \$347,963 | \$20,200 | \$1,393,748 | \$372,518 | \$52,591 | \$1,450,694 | \$2,844,442 |

Program Description

The Animal Health Division provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and game farm animals. The program cooperates with the Departments of Public Health and Human Services, Fish, Wildlife and Parks, and Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets, and certain animal product processing facilities, such as rendering plants. The Rabies Control Unit protects public health from rabies by controlling the transmission of domestic animal and wildlife rabies, particularly through eradication of skunks.

Program Highlights

| Animal Health Division Major Budget Highlights | |
|---|--|
| ♦ | The legislature approved the continued participation in the state-federal cooperative agreement for brucellosis management and the Greater Yellowstone Interagency Brucellosis Committee |
| ♦ | The approved budget reduces 3.00 FTE in the Animal Health Division due to revenue shortfalls caused by the extended drought conditions throughout the state of Montana |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium.

| | | Program Funding Table | | | | | |
|-----------------|-----------------------------|------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Animal Health Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 274,981 | 26.8% | \$ 488,687 | 35.1% | \$ 533,313 | 36.8% |
| | 02426 Lvstk Per Capita | 260,050 | 25.4% | 473,361 | 34.0% | 517,364 | 35.7% |
| | 02427 Animal Health | 14,931 | 1.5% | 15,326 | 1.1% | 15,949 | 1.1% |
| 03000 | Total Federal Special Funds | 750,604 | 73.2% | 905,061 | 64.9% | 917,381 | 63.2% |
| | 03427 Bison Trap Funds | 750,604 | 73.2% | 905,061 | 64.9% | 917,381 | 63.2% |
| Grand Total | | \$ 1,025,585 | 100.0% | \$ 1,393,748 | 100.0% | \$ 1,450,694 | 100.0% |

The Animal Health Division is funded with federal and state special revenue. Federal special revenue comes from the Greater Yellowstone Interagency Brucellosis Committee grant of \$237,503 over the biennium and the bison operational cooperative agreement of \$660,000 over the biennium. State special revenue comes from the livestock per capita fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 239,941 | | | | | 239,063 |
| Vacancy Savings | | | | (31,465) | | | | | (31,427) |
| Inflation/Deflation | | | | 11 | | | | | 22 |
| Total Statewide Present Law Adjustments | | | | \$208,487 | | | | | \$207,658 |
| DP 401 - Animal Health-Vehicle Replacement-OTO | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 26,000 | 0 | 26,000 |
| DP 402 - FTE Reduction - Animal Health Division | | | | | | | | | |
| (2.00) | 0 | (90,446) | 0 | (90,446) | (2.00) | 0 | (90,814) | 0 | (90,814) |
| DP 403 - FTE Reduction - Bison Management | | | | | | | | | |
| (1.00) | 0 | 0 | 0 | 0 | (1.00) | 0 | 0 | 0 | 0 |
| DP 404 - Out of State Travel- Animal Health | | | | | | | | | |
| 0.00 | 0 | 4,005 | 0 | 4,005 | 0.00 | 0 | 4,005 | 0 | 4,005 |
| DP 405 - Bison Management - Federal Funds | | | | | | | | | |
| 0.00 | 0 | 0 | 225,917 | 225,917 | 0.00 | 0 | 0 | 225,669 | 225,669 |
| Total Other Present Law Adjustments | | | | | | | | | |
| (3.00) | \$0 | (\$86,441) | \$225,917 | \$139,476 | (3.00) | \$0 | (\$60,809) | \$225,669 | \$164,860 |
| Grand Total All Present Law Adjustments | | | | \$347,963 | | | | | \$372,518 |

DP 401 - Animal Health-Vehicle Replacement-OTO - The legislature approved state special revenue authority to replace one 4x4 pickup. Funding for this request comes from the livestock per capita fund.

DP 402 - FTE Reduction - Animal Health Division - The legislature approved a reduction of 2.00 FTE - a veterinarian and an administrative support position. These positions are being eliminated due to the drought and decreased funds in the livestock per capita account. The annual savings from the elimination of these positions is \$90,446 in FY 2006 and \$90,814 in FY 2007.

DP 403 - FTE Reduction - Bison Management - The legislature approved that 1.00 FTE be transferred from Animal Health Investigation to the federally funded Animal Health Bison Management Section. This action eliminates a vacant position and maintains the 6.00 FTE authorized in Bison Management Program.

DP 404 - Out of State Travel- Animal Health - The legislature approved an increase in state special revenue to allow out-of-state travel for the state veterinarian. This proposal is funded from the livestock per capita fund.

DP 405 - Bison Management - Federal Funds - The legislature approved federal special revenue authority for additional consultants and professional services and equipment.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|-----------------|-----------------|-----------------|-------------|--------------|-----------------|-----------------|-----------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 04 | 0.00 | 0 | 12,642 | 7,558 | 20,200 | 0.00 | 0 | 32,713 | 19,878 | 52,591 |
| Total | 0.00 | \$0 | \$12,642 | \$7,558 | \$20,200 | 0.00 | \$0 | \$32,713 | \$19,878 | \$52,591 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 5.00 | 0.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 | 5.00 |
| Personal Services | 237,557 | 4,738 | 7,288 | 249,583 | 5,133 | 18,957 | 261,647 | 511,230 |
| Operating Expenses | 33,847 | 10,635 | 0 | 44,482 | 10,635 | 0 | 44,482 | 88,964 |
| Equipment | 0 | 0 | 0 | 0 | 26,000 | 0 | 26,000 | 26,000 |
| Total Costs | \$271,404 | \$15,373 | \$7,288 | \$294,065 | \$41,768 | \$18,957 | \$332,129 | \$626,194 |
| State/Other Special | 239,199 | 6,077 | 6,242 | 251,518 | 32,472 | 16,238 | 287,909 | 539,427 |
| Federal Special | 32,205 | 9,296 | 1,046 | 42,547 | 9,296 | 2,719 | 44,220 | 86,767 |
| Total Funds | \$271,404 | \$15,373 | \$7,288 | \$294,065 | \$41,768 | \$18,957 | \$332,129 | \$626,194 |

Program Description

The Milk and Egg Inspection program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws are accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

Program Highlights

| Milk and Egg Program Major Budget Highlights | |
|---|---|
| ♦ | Funding increases are primarily due to the purchase of one new vehicle and the statewide pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Milk & Egg Program | | | | | | | |
|---|-----------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 239,199 | 88.1% | \$ 251,518 | 85.5% | \$ 287,909 | 86.7% |
| | 02427 Animal Health | 239,199 | 88.1% | 251,518 | 85.5% | 287,909 | 86.7% |
| 03000 | Total Federal Special Funds | 32,205 | 11.9% | 42,547 | 14.5% | 44,220 | 13.3% |
| | 03032 Animal Health Sp. Rev | 32,205 | 11.9% | 42,547 | 14.5% | 44,220 | 13.3% |
| Grand Total | | <u>\$ 271,404</u> | <u>100.0%</u> | <u>\$ 294,065</u> | <u>100.0%</u> | <u>\$ 332,129</u> | <u>100.0%</u> |

The Milk and Egg Program is funded with state special revenue and federal special revenue. The animal health account provides 88 percent of revenue for the Milk and Egg Division. A portion of animal health revenues comes from the tax on all milk producers. The current tax is 13.5 cents per hundred-weight, which is set by the Board of Livestock. In FY 2004 the tax on milk producers was changed from 14.97 cents on Class I milk to 13.5 cents on all classes of milk. Federal special revenues are provided by the U.S. Department of Agriculture to conduct eggshell surveillance.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|-----------------|------|-------------|--------------|---------------|-----------------|-----------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 14,834 | | | | | | 15,244 |
| Vacancy Savings | | | | (10,096) | | | | | | (10,111) |
| Total Statewide Present Law Adjustments | | | | \$4,738 | | | | | | \$5,133 |
| DP 501 - Vehicle Replacement-Milk & Egg Bureau | | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 26,000 | 0 | | 26,000 |
| DP 502 - Milk and Egg Bureau - Shell Egg Fed Funds | | | | | | | | | | |
| 0.00 | 0 | 0 | 7,500 | 7,500 | 0.00 | 0 | 0 | 7,500 | | 7,500 |
| DP 503 - Out of State Travel - Milk and Egg Inspection | | | | | | | | | | |
| 0.00 | 0 | 3,135 | 0 | 3,135 | 0.00 | 0 | 3,135 | 0 | | 3,135 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$3,135 | \$7,500 | \$10,635 | 0.00 | \$0 | \$29,135 | \$7,500 | | \$36,635 |
| Grand Total All Present Law Adjustments | | | | \$15,373 | | | | | | \$41,768 |

DP 501 - Vehicle Replacement-Milk & Egg Bureau - The legislature approved replacement of one pickup truck assigned to a sanitarian in the Milk and Egg Bureau in FY 2007 for \$26,000. Funding is from the animal health fund.

DP 502 - Milk and Egg Bureau - Shell Egg Fed Funds - The legislature approved an additional \$7,500 each year in federal special revenue spending authority for increased inspections of poultry and animal welfare.

DP 503 - Out of State Travel - Milk and Egg Inspection - The legislature approved out of state travel for milk and egg sanitarians to attend national conferences so they can maintain certification and receive training to improve their inspection processes and review new regulations that have been adopted. Travel and training costs are estimated at \$3,135 state special revenue each year of the 2007 biennium.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|----------------|-----------------|----------------|-------------|--------------|-----------------|-----------------|-----------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 05 | 0.00 | 0 | 6,242 | 1,046 | 7,288 | 0.00 | 0 | 16,238 | 2,719 | 18,957 |
| Total | 0.00 | \$0 | \$6,242 | \$1,046 | \$7,288 | 0.00 | \$0 | \$16,238 | \$2,719 | \$18,957 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 61.71 | (4.50) | 0.00 | \$7.21 | (4.50) | 0.00 | \$7.21 | \$7.21 |
| Personal Services | 2,253,448 | 24,244 | 73,310 | 2,351,002 | 21,354 | 192,605 | 2,467,407 | 4,818,409 |
| Operating Expenses | 224,166 | 30,482 | 0 | 254,648 | 30,608 | 0 | 254,774 | 509,422 |
| Equipment | 0 | 52,000 | 0 | 52,000 | 52,000 | 0 | 52,000 | 104,000 |
| Total Costs | \$2,477,614 | \$106,726 | \$73,310 | \$2,657,650 | \$103,962 | \$192,605 | \$2,774,181 | \$5,431,831 |
| State/Other Special | 2,477,614 | 106,726 | 73,310 | 2,657,650 | 103,962 | 192,605 | 2,774,181 | 5,431,831 |
| Total Funds | \$2,477,614 | \$106,726 | \$73,310 | \$2,657,650 | \$103,962 | \$192,605 | \$2,774,181 | \$5,431,831 |

Program Description

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and beef inspections.

Program Highlights

| Brands Enforcement Division Major Budget Highlights | |
|--|--|
| ♦ | The legislature approved a reduction of 4.50 FTE due to revenue shortfalls caused by the extended drought conditions throughout the state of Montana |
| ♦ | Increased funding is due primarily to the purchase of new vehicles, overtime for brand inspectors, and funding of the statewide pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Brands Enforcement Division | | | | | | | |
|--|------------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 2,477,614 | 100.0% | \$ 2,657,650 | 100.0% | \$ 2,774,181 | 100.0% |
| | 02425 Inspection And Control | 1,874,800 | 75.7% | 1,628,966 | 61.3% | 1,698,743 | 61.2% |
| | 02426 Lvstk Per Capita | 602,814 | 24.3% | 1,028,684 | 38.7% | 1,075,438 | 38.8% |
| Grand Total | | \$ 2,477,614 | 100.0% | \$ 2,657,650 | 100.0% | \$ 2,774,181 | 100.0% |

The Brands Enforcement Division is entirely funded with state special revenue. Inspections and control funds 75 percent of expenditures and the livestock per capita account funds 25 percent. The inspections and control account receives revenues from livestock licensing, permits fees, state inspections, and brand recordings. At the time of sale, a \$0.50 assessment is charged each to the buyer and seller for livestock inspections. Every ten years a brand recorder fee is charged and each brand is re-recorded. The inspection of livestock and the brand recorder fees account for 85 percent of all revenues in the inspections and control account.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|------------------|-----------------------|--------------|---------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 178,322 | | | | | 176,062 |
| Vacancy Savings | | | | (97,272) | | | | | (97,180) |
| Inflation/Deflation | | | | (561) | | | | | (435) |
| Total Statewide Present Law Adjustments | | | | \$80,489 | | | | | \$78,447 |
| DP 601 - Vehicle Replacement - Brands Division | | | | | | | | | |
| 0.00 | 0 | 52,000 | 0 | 52,000 | 0.00 | 0 | 52,000 | 0 | 52,000 |
| DP 602 - FTE Reduction - Brands Enforcement Division | | | | | | | | | |
| (4.50) | 0 | (151,111) | 0 | (151,111) | (4.50) | 0 | (151,833) | 0 | (151,833) |
| DP 603 - Out of State Travel - Brands Division | | | | | | | | | |
| 0.00 | 0 | 3,043 | 0 | 3,043 | 0.00 | 0 | 3,043 | 0 | 3,043 |
| DP 604 - Overtime - Brands Division | | | | | | | | | |
| 0.00 | 0 | 94,305 | 0 | 94,305 | 0.00 | 0 | 94,305 | 0 | 94,305 |
| DP 609 - Printing Costs in Brand Enforcement Division | | | | | | | | | |
| 0.00 | 0 | 28,000 | 0 | 28,000 | 0.00 | 0 | 28,000 | 0 | 28,000 |
| Total Other Present Law Adjustments | | | | | | | | | |
| (4.50) | \$0 | \$26,237 | \$0 | \$26,237 | (4.50) | \$0 | \$25,515 | \$0 | \$25,515 |
| Grand Total All Present Law Adjustments | | | | \$106,726 | | | | | \$103,962 |

DP 601 - Vehicle Replacement - Brands Division - The legislature approved the replacement of two vehicles each year of the 2007 biennium. These are 4x4 extended cab pickups with a cost of \$26,000 per vehicle, for a total cost each year of \$52,000. Funding is provided entirely from the inspection and control account.

DP 602 - FTE Reduction - Brands Enforcement Division - The legislature approved a reduction of 4.50 FTE in the Brands Enforcement Division. Reduced from the budget are a market bureau chief, a half-time administrative support position, and three brand inspectors. The savings occur in the livestock per capita fee. The cost savings is \$151,111 in FY 2006 and \$151,883 in FY 2007.

DP 603 - Out of State Travel - Brands Division - The legislature approved an increase for out-of-state travel of \$3,043 per year. The requested travel is for attendance at the Livestock Identification Association and the Western States Livestock Investigation. Funding is from the livestock per capita account.

DP 604 - Overtime - Brands Division - The legislature approved \$94,305 in state special revenue authority each year of the biennium for overtime. The Brands Enforcement Division experiences an unusual amount of overtime during the fall run when livestock are sold through the markets. This request is funded entirely from the inspection and control account.

DP 609 - Printing Costs in Brand Enforcement Division - The legislature approved \$28,000 each year to restore printing costs due to an accounting error in the base-year. Funding is from the inspection and control fund.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 06 | 0.00 | 0 | 73,310 | 0 | 73,310 | 0.00 | 0 | 192,605 | 0 | 192,605 |
| Total | 0.00 | \$0 | \$73,310 | \$0 | \$73,310 | 0.00 | \$0 | \$192,605 | \$0 | \$192,605 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 17.50 | 1.00 | 1.00 | 19.50 | 1.00 | 1.00 | 19.50 | 19.50 |
| Personal Services | 670,603 | 43,733 | 73,763 | 788,099 | 43,743 | 112,539 | 826,885 | 1,614,984 |
| Operating Expenses | 195,343 | 18,289 | 11,270 | 224,902 | 13,760 | 9,120 | 218,223 | 443,125 |
| Total Costs | \$865,946 | \$62,022 | \$85,033 | \$1,013,001 | \$57,503 | \$121,659 | \$1,045,108 | \$2,058,109 |
| General Fund | 429,392 | 31,011 | 54,771 | 515,174 | 29,095 | 72,461 | 530,948 | 1,046,122 |
| State/Other Special | 6,475 | 0 | 173 | 6,648 | 0 | 464 | 6,939 | 13,587 |
| Federal Special | 430,079 | 31,011 | 30,089 | 491,179 | 28,408 | 48,734 | 507,221 | 998,400 |
| Total Funds | \$865,946 | \$62,022 | \$85,033 | \$1,013,001 | \$57,503 | \$121,659 | \$1,045,108 | \$2,058,109 |

Program Description

The Montana Meat and Poultry Inspection Act established the Meat and Poultry Inspection Program in 1987. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

Program Highlights

**Meat and Poultry Inspection Program
Major Budget Highlights**

- ◆ The legislative budget increases general fund and federal special revenue in the Meat and Poultry Inspection Program by adding 2.00 FTE meat inspectors and a biennial line item to add 1.00 FTE meat inspector if workload continues to increase

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|-------------------------|--------------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Meat/Poultry Inspection | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 429,392 | 49.6% | \$ 515,174 | 50.9% | \$ 530,948 | 50.8% |
| | 01100 General Fund | 429,392 | 49.6% | 515,174 | 50.9% | 530,948 | 50.8% |
| 02000 | Total State Special Funds | 6,475 | 0.7% | 6,648 | 0.7% | 6,939 | 0.7% |
| | 02427 Animal Health | 6,475 | 0.7% | 6,648 | 0.7% | 6,939 | 0.7% |
| 03000 | Total Federal Special Funds | 430,079 | 49.7% | 491,179 | 48.5% | 507,221 | 48.5% |
| | 03209 Meat/Poultry Inspection Sp Rev | 430,079 | 49.7% | 491,179 | 48.5% | 507,221 | 48.5% |
| Grand Total | | \$ 865,946 | 100.0% | \$ 1,013,001 | 100.0% | \$ 1,045,108 | 100.0% |

The majority of Meat and Poultry Inspection Program funding is split evenly between federal special revenue and general fund. Per cooperative agreement with the United States Department of Agriculture (USDA), state special revenue funds cannot be used when they are derived through a fee on the producers being inspected by the program. Since state special

revenues are generated from fees on those producers being inspected, the state match is provided by the general fund. A small portion of the funding is state special revenue derived from annual meat establishment license fees.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|-----------------|-------------|-----------------|---------------|-----------------|-----------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 42,417 | | | | | 42,498 |
| Vacancy Savings | | | | | (28,522) | | | | | (28,523) |
| Inflation/Deflation | | | | | (10,141) | | | | | (9,750) |
| Total Statewide Present Law Adjustments | | | | | \$3,754 | | | | | \$4,225 |
| DP 103 - Field Automation Information Management (FAIM)-OTO | 0.00 | 11,080 | 0 | 11,080 | 22,160 | 0.00 | 9,695 | 0 | 9,695 | 19,390 |
| DP 111 - Provide Meat Inspectors for Eastern Montana | 1.00 | 18,054 | 0 | 18,054 | 36,108 | 1.00 | 16,944 | 0 | 16,944 | 33,888 |
| Total Other Present Law Adjustments | 1.00 | \$29,134 | \$0 | \$29,134 | \$58,268 | 1.00 | \$26,639 | \$0 | \$26,639 | \$53,278 |
| Grand Total All Present Law Adjustments | | | | | \$62,022 | | | | | \$57,503 |

DP 103 - Field Automation Information Management (FAIM)-OTO - The legislature approved replacement of eight field automation and information management (FAIM) computers in FY 2006 and 7 in FY 2007. The costs are funded 50 percent federal special revenue and 50 percent general fund.

DP 111 - Provide Meat Inspectors for Eastern Montana - The legislature approved adding 1.00 FTE meat inspector for the eastern Montana region. The position is funded 50 percent meat/poultry inspection funds and 50 percent general fund.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|-----------------|-------------|-----------------|---------------|-----------------|------------------|
| Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 101 - Add 1.0 FTE Meat Inspector | 1.00 | 18,054 | 0 | 18,054 | 36,108 | 1.00 | 16,944 | 0 | 16,944 | 33,888 |
| DP 620 - Additional Meat Inspector | 0.00 | 25,000 | 0 | 0 | 25,000 | 0.00 | 25,000 | 0 | 0 | 25,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | 0.00 | 11,717 | 173 | 12,035 | 23,925 | 0.00 | 30,517 | 464 | 31,790 | 62,771 |
| Total | 1.00 | \$54,771 | \$173 | \$30,089 | \$85,033 | 1.00 | \$72,461 | \$464 | \$48,734 | \$121,659 |

DP 101 - Add 1.0 FTE Meat Inspector - The legislature approved adding 1.00 FTE meat inspector for the eastern Montana region. The position is funded 50 percent meat/poultry inspection funds and 50 percent general fund

DP 620 - Additional Meat Inspector - The legislature approved a \$50,000 biennial line item of general fund to be used to meet the federal match requirement for the employment of an additional meat inspector during the 2007 biennium, if workload increases.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB 2:

"An additional meat inspector may be used only if approved by the director of the office of budget and program planning for additional FTE because of workload increases."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 486.24 | 4.00 | 51.79 | 542.03 | 4.00 | 51.79 | 542.03 | 542.03 |
| Personal Services | 21,536,866 | 2,248,015 | 2,907,800 | 26,692,681 | 2,285,404 | 4,116,497 | 27,938,767 | 54,631,448 |
| Operating Expenses | 9,814,332 | 1,305,383 | 2,015,356 | 13,135,071 | 1,293,599 | 1,633,366 | 12,741,297 | 25,876,368 |
| Equipment | 667,807 | 71,193 | 417,567 | 1,156,567 | 26,693 | 381,000 | 1,075,500 | 2,232,067 |
| Capital Outlay | 75 | 0 | 0 | 75 | 0 | 0 | 75 | 150 |
| Local Assistance | 213,373 | 25,000 | 250,000 | 488,373 | 25,000 | 250,000 | 488,373 | 976,746 |
| Grants | 961,865 | 47,168 | 150,000 | 1,159,033 | 48,263 | 0 | 1,010,128 | 2,169,161 |
| Benefits & Claims | 1,000,000 | (1,000,000) | 0 | 0 | (1,000,000) | 0 | 0 | 0 |
| Transfers | 398,339 | 353,117 | 857,965 | 1,609,421 | 154,762 | 1,257,965 | 1,811,066 | 3,420,487 |
| Debt Service | 487,112 | 80,702 | 0 | 567,814 | 80,702 | 0 | 567,814 | 1,135,628 |
| Total Costs | \$35,079,769 | \$3,130,578 | \$6,598,688 | \$44,809,035 | \$2,914,423 | \$7,638,828 | \$45,633,020 | \$90,442,055 |
| General Fund | 16,825,529 | 247,734 | 2,561,093 | 19,634,356 | (24,313) | 3,285,506 | 20,086,722 | 39,721,078 |
| State/Other Special | 16,489,400 | 2,662,185 | 4,010,698 | 23,162,283 | 2,704,131 | 4,286,809 | 23,480,340 | 46,642,623 |
| Federal Special | 1,764,840 | 220,659 | 26,897 | 2,012,396 | 234,605 | 66,513 | 2,065,958 | 4,078,354 |
| Total Funds | \$35,079,769 | \$3,130,578 | \$6,598,688 | \$44,809,035 | \$2,914,423 | \$7,638,828 | \$45,633,020 | \$90,442,055 |

Agency Description

The Department of Natural Resources is tasked to:

1. Manage the state trust land resource to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land;
2. Protect Montana's natural resources from wildfires through regulation and partnerships with federal, state, and local agencies;
3. Promote stewardship of state water, soil, forest, and rangeland resources, and regulate forest practices to protect water quality;
4. Provide administrative, legal, and technical assistance and financial grants to the conservation districts and provide natural resource conservation and development programs;
5. Resolve water resource use conflicts, manage state water projects, investigate water use violations, ensure dam safety compliance, and provide water adjudication support to the Water Court;
6. Provide administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies;
7. Provide administrative support to the Board of Oil and Gas Conservation to assist in conservation of oil and gas and prevention of resource waste through regulation of oil and gas exploration and production.

The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercise the general authority, direction, and control over the care, management, and disposition of state lands under its administration. The department director is the chief administrative officer of the board.

Agency Highlights

| Department of Natural Resources and Conservation Major Budget Highlights | |
|---|---|
| ◆ | The legislature approved present law adjustments totaling \$6.0 million over the biennium of which \$5.2 million are state special revenue. |
| ◆ | With the passage of HB 22, \$1.9 million per year was appropriated to expedite the water adjudication process |
| ◆ | 55.79 FTE were approved, a majority of which are attributed to the acceleration of the water rights adjudication program. |
| ◆ | \$1.0 million per year of general fund was approved to provide increased initial attack capacity to the Forestry Division in fighting wild land fires |
| ◆ | Supplemental appropriations were provided for: |
| ◆ | 2005 biennium fire costs, \$2.0 million |
| ◆ | Prepayment of the crow tribe water compact settlement, \$9.0 million |
| ◆ | The increased pay plan, HB 447, resulted in an increase of \$2.7 million over the biennium |
| ◆ | Resource indemnity trust funds are structurally balanced |
| ◆ | Language appropriations were reduced by \$1.5 million to assist with meeting the overall state expenditure cap |

Agency Discussion

Resource Indemnity Trust

The legislature appropriated funds from the corpus of the trust, interest from the trust, and indemnity related taxes to provide \$26 million worth of support to two universities, four agencies, and numerous local governmental agencies through the grant and loan programs. The legislature also addressed issues raised regarding the utilization, management, and oversight of the funds.

The activity of the legislature is detailed in the following three figures. Figure 1 details the anticipated trust balance and the appropriation of excess corpus funds. After a transfer from the groundwater assessment fund, the corpus should have a balance slightly higher than the mandated \$100 million. Excess corpus above the \$100 million level can be appropriated by the legislature. The legislature chose to appropriate \$133,000 to the Commissioner of Higher Education for the Bureau of Groundwater at Montana Tech and with the passage of HB 782, \$98,000 was appropriated to the Judiciary for water adjudication activities.

| Figure 1 Resource Indemnity Trust - Corpus Balance Projected 2007 Biennium Transfers | | |
|--|----------------------|----------------------|
| Resource Indemnity Trust | FY2005 | FY2006 |
| Projected Beginning Balance | \$100,002,390 | \$100,254,844 |
| Transfer from Groundwater Assessment (02289) | 252,454 | |
| Transfer to Excess Corpus Fund (02567) | | (252,454) |
| Trust Balance | <u>\$100,254,844</u> | <u>\$100,002,390</u> |
| Excess Corpus Fund (02567) | | \$252,454 |
| Commissioner of Higher Ed - Bureau Of Groundwater Trf | | 133,735 |
| Judiciary - HB 782 Water Adjudication Funding | | <u>98,000</u> |
| Balance | | <u>\$20,719</u> |

The taxes related to the trust and the actual interest of the trust is disbursed through statutory appropriation, statutory allocation, and the appropriations process. Figure 2 describes the distribution of these funds. Distribution is based on revenues adopted in HJR 2.

Figure 2
Resource Indemnity Trust Interest and Related Taxes
Estimated Revenues and Priority Allocations

| Disposition of RIGWA taxes | | | | |
|--|--------------------|--------------------|--------------------|---------------------|
| <u>Statutory Allocations</u> | FY 2005 | FY 2006 | FY 2007 | 2007 Biennium |
| CERCLA Bond Debt Service | \$0 | \$160,000 | \$320,000 | \$480,000 |
| Groundwater Assessment Fund (02289) | 113,546 | 366,000 | 366,000 | 732,000 |
| Reclamation & Development (02458) | 431,500 | 318,000 | 312,000 | 630,000 |
| Natural Resource Worker Scholarship Fund (02069) | 93,508 | 13,508 | 13,508 | 27,016 |
| Orphan Share Fund (02472) | <u>337,992</u> | <u>318,492</u> | <u>311,492</u> | <u>629,984</u> |
| Total RIGWA Taxes | <u>\$976,546</u> | <u>\$1,176,000</u> | <u>\$1,323,000</u> | <u>\$2,499,000</u> |
| Disposition of Oil and Gas Taxes | | | | |
| <u>Statutory Allocations</u> | FY 2005 | FY 2006 | FY 2007 | 2007 Biennium |
| Coal Bed Methane Protection (02694) | \$793,616 | \$839,416 | \$889,832 | \$1,729,248 |
| Reclamation & Development (02458) | 1,903,384 | 2,013,230 | 2,134,146 | 4,147,376 |
| Orphan Share Fund (02472) | <u>1,903,384</u> | <u>2,013,230</u> | <u>2,134,146</u> | <u>4,147,376</u> |
| Total Applicable Oil & Gas Taxes | <u>\$4,600,384</u> | <u>\$4,865,876</u> | <u>\$5,158,124</u> | <u>\$10,024,000</u> |
| Disposition of Trust Interest | | | | |
| | FY 2005 | FY 2006 | FY 2007 | 2007 Biennium |
| Estimated Interest Earnings | \$6,898,000 | \$6,626,000 | \$6,627,000 | \$13,253,000 |
| <u>Statutory Appropriations</u> | | | | |
| MSU - Northern (02272) | 240,000 | 240,000 | 240,000 | 480,000 |
| <u>Statutory Allocations</u> | | | | |
| Environmental Contingency Account (02017) | 0 | 175,000 | 0 | 175,000 |
| Oil & Gas Damage Mitigation Account (02010) | 0 | 50,000 | 0 | 50,000 |
| Water Storage (02216) | 0 | 500,000 | 0 | 500,000 |
| Groundwater Assessment Fund (02289) | 300,000 | 300,000 | 300,000 | 600,000 |
| Future Fisheries (02022) | 350,000 | 500,000 | 500,000 | 1,000,000 |
| Renewable Resource Grants & Loans (02272) | 2,000,000 | 2,000,000 | 2,000,000 | 4,000,000 |
| Reclamation and Development Grants & Loans (02458) | <u>1,200,000</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>3,000,000</u> |
| Total Allocations | <u>\$4,090,000</u> | <u>\$5,265,000</u> | <u>\$4,540,000</u> | <u>\$9,805,000</u> |
| Amount Available for Further Distribution | <u>\$2,808,000</u> | <u>\$1,361,000</u> | <u>\$2,087,000</u> | <u>\$3,448,000</u> |

The remaining interest available is deposited to specific funds based on statutory requirement. These funds are then appropriated through HB 2, HB 6, or HB 7. Figure 3 explains the revenues received by each fund and the appropriations made from the funds.

Figure 3 also describes transfers approved to and from other funds based on legislative activities. Three pieces of legislation authorized transfers as follows:

- HB 6 authorized \$600,000 to be transferred into the renewable resources account to provide additional grants and loans
- HB 379 authorized the transfer of \$1.2 million per year from the orphan share fund to the Zortman-Landusky (Z/L) Water Treatment Trust
- SB 143 authorized \$600,000 of orphan share loans funds to the hazardous waste fund and the environmental quality protection fund

Figure 3
Resource Indemnity Trust - Related Funds
Projected 2007 Biennium Activity

| Fund Title | Renewable Resource (02272) | Reclamation & Development (02458) | Haz. Waste CERCLA (02070) | Environmental Quality Protect. (02162) | Groundwater Assessment (2289) | Water Storage (02216) | Orphan Share (02472) |
|---|----------------------------------|---|---------------------------------|--|-------------------------------------|-----------------------------|----------------------------|
| Fund Number | | | | | | | |
| Beginning Fiscal 2005 Fund Balance (SABHRS) | \$1,396,368 | \$1,944,494 | \$194,540 | \$839,661 | \$252,454 | \$320,696 | \$3,093,800 |
| Continuing appropriations | (3,882,647) | (2,474,570) | (31,231) | | | (589,979) | 0 |
| Fiscal 2005 appropriations | (934,212) | (2,961,720) | (895,656) | (915,792) | (666,000) | 0 | (1,350,144) |
| Fiscal 2005 Adjustments | 0 | 0 | 0 | 0 | (252,454) | 0 | 0 |
| Fiscal 2005 revenues (RTIC, agency estimates) | 3,802,517 | 5,339,484 | 619,760 | 725,560 | 666,000 | 138,000 | 2,254,000 |
| Projected Available Fund Balance Beginning FY2006 | \$382,026 | \$1,847,688 | (\$112,587) | \$649,429 | \$0 | (\$131,283) | \$5,997,656 |
| Revenues (RATC, agency estimates) | | | | | | | |
| RIT Interest-direct | 4,480,000 | 3,000,000 | | | 600,000 | 500,000 | |
| RIT Interest-further allocation by above % | 1,034,400 | 1,206,800 | 896,480 | 310,320 | | | |
| RIGWA Proceeds | | 4,777,376 | | | 732,000 | | 4,777,360 |
| Metal Mines Tax (7%) | | 1,311,000 | | | | | |
| Coal Tax & Interest (from 04011) | 516,009 | | | | | | |
| STIP/Other Interest | 20,000 | | 4,000 | 6,000 | | 37,500 | 70,000 |
| Cost Recoveries | | | | 1,023,800 | | | |
| Transfers - SB 143 - Loans from Orphan Share | | | 390,405 | 209,595 | | | (600,000) |
| Transfers - HB 6 from General Fund | 600,000 | | | | | | |
| Transfers - HB 379 Z-L Water Treatment Trust | | | | | | | (2,400,000) |
| Administrative Fees | 14,000 | | | | | | |
| State-owned Project Revenue | | | | | | 240,000 | |
| Total Projected Available Revenues | \$7,046,435 | \$12,142,864 | \$1,178,298 | \$2,199,144 | \$1,332,000 | \$646,217 | \$7,845,016 |
| Executive Appropriations | | | | | | | |
| House Bills 6 and 7 Grants | \$ 4,600,000 | \$ 4,856,187 | | | | | |
| House Bill 6-Emergency/Private Grants | 400,000 | | | | | | |
| House Bill 7-Transfers (\$57,116 to ECA) | (400,000) | 457,116 | | | | | |
| MSU-Northern (statutorily appropriated) | 480,000 | | | | | | |
| UM-Bureau of Mines | | | | | 1,332,000 | | |
| DNRC-Centralized Services | 10,000 | 12,000 | | | | | |
| DNRC-Conservation and Resource Devel. Division | 359,777 | 2,145,455 | | | | | |
| DNRC-Water Resources Division | | 254,832 | | | | 544,600 | |
| DNRC-Flathead Basin Commission | 16,002 | | | | | | |
| DEQ-Central Management | | 88,378 | 28,964 | | | | |
| DEQ-Planning, Prevention & Assistance | | | 266,244 | | | | |
| DEQ-Enforcement | | 9,648 | | | | | |
| DEQ-Remediation - SB 489 | | | | | | | 1,250,000 |
| DEQ-Remediation | | | 47,916 | 2,199,144 | | | 2,100,019 |
| DEQ-Permitting & Compliance | | 3,243,521 | 833,174 | | | | |
| Judiciary-Water Court | 1,533,510 | | | | | | |
| Library Commission-State Library Operations/NRIS | | 782,872 | | | | | |
| HB 447 Pay Plan | 98,810 | 130,978 | 43,968 | 55,155 | | | 1,571 |
| Total Appropriations | \$7,098,099 | \$11,980,987 | \$1,220,266 | \$2,254,299 | \$1,332,000 | \$544,600 | \$3,351,590 |
| Projected 2007 Biennium Ending Balance | (\$51,664) | \$161,877 | (\$41,968) | (\$55,155) | \$0 | \$101,617 | \$4,493,426 |

Legislative appropriations are listed by agency and program. Two items, not typically seen in RIT appropriations include:

- HB 7 transfers from the reclamation and development fund to the renewable resource fund and the environmental contingency account to provide increased funding for grants and loans and environmental emergencies
- SB 489 provides \$1.25 million to the remediation division of the Department of Environmental Quality to establish a remediation plan for a multiple party site in northwestern Montana

The legislature maintained that funds should not be over appropriated. At the close of session, the renewable resource fund, the hazardous waste/CERCLA fund and the environmental quality protection fund are all in a negative position, predominantly due to pay plan allocations. The remaining funds end with a zero or positive balance. All projected balances could change based on the amount of the appropriation spent and the actual revenues.

Increases in FTE

Figure 4 illustrates the change in FTE as a result of legislative action. The Water Resource Division received the largest increase, 39.00 FTE, and \$3.2 million results from the passage of HB 22, providing for the expedition of water adjudication. The Forestry Division received 7.79 FTE through the adoption of decision packages related to increased resources for initial attack. The Conservation and Development Division received 4.00 FTE, two of which were positions eliminated by the 2003 Legislature. The legislature did not eliminate any positions within the department.

| Figure 4 Department of Natural Resources and Conservation New FTE for 2007 Biennium | | | | | |
|---|--------------|--------------------|--------------|--------------------|-------------------------------------|
| Division | FY 2006 | | FY2007 | | Description |
| | #FTE | Cost | # FTE | Cost | |
| Central Services | 1.00 | \$ 37,591 | 1.00 | \$ 37,507 | Attorney for Water Issues |
| Board of Oil and Gas | 1.00 | 34,129 | 1.00 | 34,099 | Public Access Data System Support |
| Conservation and Development | 1.00 | 47,644 | 1.00 | 47,562 | Regional Water Coordinator |
| | 1.00 | 47,675 | 1.00 | 47,582 | Conservation District Position |
| | 1.00 | 47,611 | 1.00 | 47,515 | Rangeland Coordinator |
| | 1.00 | 53,121 | 1.00 | 53,011 | St. Mary's Project - Engineer |
| Water Resources | 39.00 | 1,618,934 | 39.00 | 1,615,607 | Water Adjudication Staffing (HB 22) |
| | 1.00 | 53,045 | 1.00 | 52,935 | St. Mary's Project - Hydrologist |
| Trust Land Management | 2.00 | 74,588 | 2.00 | 74,430 | Foresters - Sustainable Yield |
| Forestry Management | 4.00 | 178,408 | 4.00 | 178,174 | County Cooperation Program |
| | 3.79 | 110,968 | 3.79 | 110,929 | Helitack Crews |
| Total FTE and Costs | <u>55.79</u> | <u>\$2,303,714</u> | <u>55.79</u> | <u>\$2,299,351</u> | |

*Ongoing Issues**Resource Indemnity Trust*

Two issues were raised: 1) statute did not allow certain longstanding uses of funds; and 2) there is no centralized oversight of the funds and the allocation process. The legislature chose to address the issues of the trust through two means. First, language allowing the use of funds for activities outside of statute was added to HB 6 (Renewable Resource Loans and Grants) and HB 7 (Reclamation and Development Loans and Grants) for the 2007 biennium only. Second, the Joint Appropriations Committee for Natural Resources and Commerce introduced a resolution (HJ 36) to study the structure, historical usage and statutes related to the resource indemnity funds. This study was directed to the Legislative Fiscal Division and the assistance of the Environmental Quality Council will be made available. The outcome of the study is to provide alternatives to assure that funds are utilized in an appropriate manner, and suggest changes to statute to deal with the confusing and sometimes conflicting requirements.

Trust Land Administration

The Legislative Fiscal Division (LFD) raised two issues concerning the administration of trust lands. First, diversification of holdings to maximize revenues to the trust and second, the constitutionality of funding trust land administration with trust revenues.

While the legislature did not set specific policy regarding diversification of holdings, it did support a resolution to research the potential of timber leasing of state lands. Rather than the Trust Land Management Division developing and preparing contract timber sales, the study will determine that if the department sold logs directly from state lands, would funding increase for trust beneficiaries. Other states have experienced a revenue growth of as much as 30 percent over the contract method of timber sales.

The second issue regarding trust land administration was not resolved. Financing the administration of trust lands through the retention of trust revenues has been a legislative legal counsel issue of constitutionality for some time. The Legislative Audit Division echoed that concern in a recent financial audit of the department. Immediately prior to session the Montana Board of Regents pledged to mediate, not litigate a solution that would return the \$12.0 million allegedly diverted from university trusts for the purpose of land administration.

The legislature maintained the current funding mechanism. Consequently, the potential for a beneficiary or a group of beneficiaries to file suit to challenge the funding practice still exists. The financial risks of the situation include costs

related to legal challenges, funding the \$9.0 million in administration costs from other sources, and potentially repaying any alleged diversions.

Water Rights Adjudication (HB22)

Prior to 1973 there was no consistent statewide requirement that a water user file any type of record showing they were using water. A first in time, first in right prior appropriation doctrine was utilized. Over time, the statewide water adjudication process has slowed, and appropriations have not kept pace with time, and yet the importance of water rights rose on the regional and national level.

The Environmental Quality Council recommended certain actions in HB 22 to expedite the water adjudication process by providing funding through an adjudication fee, staffing, and specific program benchmarks. The entire bill was built on the premise that the long-standing backlog in the water adjudication could be reduced and the entire process finished in fifteen years.

The legislature passed and approved HB 22, appropriating \$1.9 million per year fees to the department for the FTE and operating costs necessary to expedite the process. This appropriation was to be funded through water adjudication fees to be collected in January of 2006. To collect the fees, HB 22 required that \$2.0 million dollars from other sources, each year of the biennium be line item appropriated for the water adjudication in order to collect the fee. While the water adjudication process does have \$2.0 million of other funding within the Water Resources Division, the Water Court and the Reserved Water Rights Compact Commission, the funds are not clearly identifiable in HB 2, as required in the HB 22 coordinating language.

Due to the fact that other funds were not line item appropriated, legal counsel determined the contingent voidness section of the bill was applicable. Subsequently a request has been made to the Attorney General for a legal opinion. In the meantime, codification is on hold until the opinion is received. There is also the possibility to fix the contingent voidness section in the proposed special session of December 2005.

Since HB 22, was passed and approved, the appropriations in HB 2 remain intact regardless of whether the bill is ultimately codified due to coordinating language. The appropriations are valid if cash is available. However, since the fee cannot be collected, the department is faced with a cash flow problem. With current appropriations of general fund, the department has chosen to proceed with the activities of hiring personnel.

Fire Suppression Costs

In response to the wild land fire audit, the legislature provided increased resources for the initial attack program. This includes:

- \$0.5 million transfer of general fund to the air operations proprietary fund to increase aviation support through the hiring of additional mechanics and pilots
- \$1.1 million for the county co-op program, including 4.00 FTE for rural fire coordination and capital funds to produce an additional 15 type six engines to replace aging county field equipment
- Increased helitack capacity by providing for \$240,000 and 3.59 FTE (mostly seasonal workers) to fully staff helicopter crews at three direct protection offices

This activity places additional emphasis on assuring that the department has the sufficient resources to attack fires initially to eliminate high cost fires before they occur.

The legislature also approved a resolution (HJR 10) to study fire related statutes regarding suppression and mitigation. This is a collaborative study to address dangerous environmental conditions and areas of wild land/urban interface, to improve wild land fire suppression and mitigation, and to recommend legislation to appropriately fund wild land fire protection and suppression costs.

Supplemental Appropriations

2005 Biennium Fire Costs

Figure 5 provides a break down of the fire costs for the 2005 biennium. The 2005 biennium fire costs are estimated at \$85.4 million, of which \$0.8 million is the amount set aside for 2005 spring fires. Other sources covered \$48.9 million and the majority of the \$36.1 million in of the state share was covered by one time federal funds received under the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA). The \$2.0 million supplemental provided in HB 745 represents the amount of funding not covered by JGTRRA, the Federal Emergency Management Agency (FEMA), the US Forest Service (USFS) or the National Park Service. The balance remaining of \$314,795 will be covered through non-incurred spring fire costs, or changes in negotiated recovery from FEMA or the USFS.

Crow Tribe Settlement

The legislature approved pre-payment of the \$9.0 million owed to the Crow Tribe as part of the water compact through HB 745. These funds will be placed into an account and transferred to the crow escrow account on an annual basis. When all terms of the compact are met, the crow tribe will receive all funds in escrow. A subsequent base adjustment of \$1.0 million per year was made to the department's budget to account for this prepayment.

Other Legislation

House Bill 6 - This legislation appropriates \$4.6 million of RIT interest to the department for renewable resource grants. Of the total, \$100,000 is to be used by the department for emergency projects and \$ 300,000 is to be used for project planning grants. The remainder is available to state agencies, political subdivisions, and local government entities. See the Long Range Planning section in Volume 4 for a list of specific projects funded in HB 6.

House Bill 7 -This legislation appropriates \$4.9 million of RIT interest to the Department of Natural Resources and Conservation for reclamation and development projects. For a further discussion, see the Long-Range Planning section in Volume 4 for a list of specific projects funded in HB 7.

House Bill 8 - This legislation provides the authority for the loan portion of the renewable resource grant and loan program. The issuance of \$7,236,264 in coal severance tax bonds was approved by the legislature and the proceeds appropriated to the department for: 1) loans for new and re-authorized existing projects - \$6,578,422; and 2) establishment of a reserve for the bonds - \$657,842. See the Long Range Planning section in Volume 4 for a list of specific projects funded in HB 8.

House Bill 11 - This legislation appropriates \$5.3 million of interest earnings from the treasure state endowment regional water system special revenue account to the department to finance the state's share of regional water system projects in North Central Montana and in Northeastern Montana.

House Bill 22 - This legislation establishes a fee on water right holders to generate income to complete the water adjudication process in fifteen years. The legislation contains benchmarks to assure the process moves along. The

Figure 5
Department of Natural Resources and Conservation
2005 Biennium Fire Costs

| | FY 2004 | FY 2005 | 2005 Biennium |
|---|---------------------|--------------------|---------------------|
| Part 1 | | | |
| Actual State Protection Costs - Paid | \$74,650,041 | \$2,862,952 | \$77,512,993 |
| Additional Costs - Still Owed: | | | |
| US Forest Service (USFS) | 6,765,411 | 326,374 | 7,091,785 |
| Bureau of Land Management (BLM) | 56,015 | | 56,015 |
| Estimated Spring 2005 Costs | | 825,140 | 825,140 |
| DNRC Budgeted Cost | \$0 | (50,000) | (50,000) |
| Total Obligations | \$81,471,467 | \$3,964,466 | \$85,435,933 |
| Part 2 | | | |
| Costs Recovered From Other Sources | | | |
| Received to Date: | | | |
| Federal Emergency Management | 30,427,502 | 0 | 30,427,502 |
| National Park Service | 8,059 | 0 | 8,059 |
| Bureau of Land Management | 469,961 | 208,354 | 678,315 |
| US Forest Service - Fire | 11,420,268 | 604,414 | 12,024,682 |
| US Forest Service - Hurricane* | | 172,547 | 172,547 |
| Awaiting Reimbursement: | | | |
| Federal Emergency Management / USFS | 3,568,978 | 0 | 3,568,978 |
| Federal Emergency Management / BLM | 2,062,492 | 0 | 2,062,492 |
| Total Funds Recovered | \$47,957,260 | \$985,315 | \$48,942,575 |
| Part 3 | | | |
| State Share of Reimbursements | | | |
| Job Growth and Tax Relief Act Funds** | 31,925,625 | 2,252,938 | 34,178,563 |
| Supplemental Appropriation | 1,273,787 | 726,213 | 2,000,000 |
| Total State Share | \$33,199,412 | \$2,979,151 | \$36,178,563 |
| Estimated Remaining Fire Costs | \$314,795 | \$0 | \$314,795 |

* Funds received for Montana Incident Management Teams dispatched to Florida to aid in hurricane recovery efforts

** One time federal funds for tax relief set aside by Maritz administration to cover fire costs

legislature approved \$3.8 million in state special revenue over the biennium for this project. (This legislation was deemed void by the code commissioner due to the fact that sufficient funding was not made available from other sources. Subsequently a request for a legal opinion has been made to the Attorney General. Codification of the bill is on hold until this opinion is received.)

House Bill 236 – This legislation establishes a permanent role for the Clark Fork River Basin Task Force in state water planning activities. The legislature appropriated \$25,000 over the biennium to assist the taskforce with operating expenses.

House Bill 482– This bill revised the percentage of funding allocated to the coal severance shared account to 8.36 percent of coal severance taxes, an increase of 0.61 percent. The legislature provided authority of \$66,000 over the biennium to the Conservation and Development Division as a result of this increase.

House Bill 745 – Thus legislation appropriates \$2.0 million general fund for actual and anticipated wildfire suppression costs in the 2005 biennium and \$9.0 million for the Crow Tribe settlement related to the negotiated water compact.

House Bill 758 – This bill establishes a tax on oil and gas production to mitigate the impacts of oil, gas and natural resource development in Montana counties. This tax is a result of the decrease in the privilege and license tax from 0.26 percent to 0.18 percent. The difference of 0.08 percent becomes the tax that will feed the impact fund.

House Bill 782– This legislation requires that all issue remarks on a water rights claim be resolved prior to issuing final water decree. The legislation clarifies when the attorney general may intervene on cases where issue remarks have not been otherwise resolved. The legislature appropriated \$98,000 of one time only monies to hire an additional attorney to handle this workload.

House Joint Resolution 10– As suggested by the audit findings, the legislature backed a resolution to study fire related statutes regarding suppression and mitigation. This is a collaborative study to address dangerous environmental conditions and areas of wild land/urban interface, to improve wild land fire suppression and mitigation, and to recommend legislation to appropriately fund wild land fire protection and suppression costs.

House Joint Resolution 33 - This resolution requests an examination of the issues surrounding the possible implementation of a contract harvesting program for state lands in Montana, including but not limited to an examination of similar programs in other states, standards for log quality, accounting practices, standards for hiring loggers, stewardship contracting, revenue and expenses, and economic impacts to the logging industry.

House Joint Resolution 36 - This resolution requests a committee to review the funding sources, allocation, and utilization of resource indemnity trust funding. It also encourages the committee to suggest a simplified funding mechanism that meets the intent of statutes and provides sufficient resources for the affected agencies to accomplish their work.

Senate Bill 124– This bill authorizes the use of revenue bond proceeds to provide interim financing for regional water systems as federal funding does not become available until May each year. Federal funds will be utilized to pay off the bonds.

Senate Bill 449– This legislation creates an oil and gas education research fund to allow the board to accept donations, gifts or contributions for the purpose of promoting the oil and gas industry. The legislature approved \$125,000 over the biennium for this purpose.

Senate Bill 498– This act increases the limit to \$400,000 for a loan to a private person that is not a water users' association and to \$3.0 million for a loan to a water users' association or ditch company.

Senate Joint Resolution 9 – This resolution requests federal funds for the rehabilitation of the St. Mary's diversion facilities and urges the support and leadership of the Montana congressional delegation to assist in finding funds for the project.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|---------------|---------------|--------------|---------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 21 Centralized Services | \$ 4,001,859 | \$ 950,624 | \$ 163,888 | \$ 5,116,371 | 5.66% |
| 22 Oil & Gas Conservation Div. | - | 4,228,748 | - | 4,228,748 | 4.68% |
| 23 Conservation/Resource Dev Div | 2,641,610 | 6,082,877 | 543,676 | 9,268,163 | 10.25% |
| 24 Water Resources Division | 14,993,260 | 9,090,647 | 191,354 | 24,275,261 | 26.84% |
| 25 Reserved Water Rights Comp Com | 1,630,468 | - | - | 1,630,468 | 1.80% |
| 35 Forestry/Trust Lands | 16,453,881 | 26,289,727 | 3,179,436 | 45,923,044 | 50.78% |
| Grand Total | \$ 39,721,078 | \$ 46,642,623 | \$ 4,078,354 | \$ 90,442,055 | 100.00% |

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 486.24 | 491.24 | 542.03 | 50.79 | 491.24 | 542.03 | 50.79 | |
| Personal Services | 21,536,866 | 23,825,163 | 26,692,681 | 2,867,518 | 23,862,513 | 27,938,767 | 4,076,254 | 6,943,772 |
| Operating Expenses | 9,814,332 | 12,473,307 | 13,135,071 | 661,764 | 11,422,716 | 12,741,297 | 1,318,581 | 1,980,345 |
| Equipment | 667,807 | 760,695 | 1,156,567 | 395,872 | 709,500 | 1,075,500 | 366,000 | 761,872 |
| Capital Outlay | 75 | 75 | 75 | 0 | 75 | 75 | 0 | 0 |
| Local Assistance | 213,373 | 513,373 | 488,373 | (25,000) | 463,373 | 488,373 | 25,000 | 0 |
| Grants | 961,865 | 1,007,296 | 1,159,033 | 151,737 | 961,865 | 1,010,128 | 48,263 | 200,000 |
| Benefits & Claims | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 398,339 | 1,751,456 | 1,609,421 | (142,035) | 1,553,101 | 1,811,066 | 257,965 | 115,930 |
| Debt Service | 487,112 | 567,814 | 567,814 | 0 | 567,814 | 567,814 | 0 | 0 |
| Total Costs | \$35,079,769 | \$40,899,179 | \$44,809,035 | \$3,909,856 | \$39,540,957 | \$45,633,020 | \$6,092,063 | \$10,001,919 |
| General Fund | 16,825,529 | 18,486,871 | 19,634,356 | 1,147,485 | 18,229,824 | 20,086,722 | 1,856,898 | 3,004,383 |
| State/Other Special | 16,489,400 | 20,424,346 | 23,162,283 | 2,737,937 | 19,309,225 | 23,480,340 | 4,171,115 | 6,909,052 |
| Federal Special | 1,764,840 | 1,987,962 | 2,012,396 | 24,434 | 2,001,908 | 2,065,958 | 64,050 | 88,484 |
| Total Funds | \$35,079,769 | \$40,899,179 | \$44,809,035 | \$3,909,856 | \$39,540,957 | \$45,633,020 | \$6,092,063 | \$10,001,919 |

The legislature approved a biennial budget \$10.0 million higher than the executive request. This increase consists is 30 percent general fund, 69 percent state special revenue and less than one percent federal special revenue. The difference can be attributed to the following:

- Passage of HB 22 provided \$3.8 million of state special revenue authority to expedite the water adjudication process
- The implementation of HB 447, the pay plan, increases the budget by \$2.7 million
- The addition of funding in the Forestry Division for increased initial attack preparedness accounts for \$2.0 million
- \$1.1 million in initiatives was added in the Conservation and Resource Development Division, much of which was to reinstate reductions made by the 2003 Legislature
- The remaining increase can be attributed to such items as:
 - Staffing for the St. Mary's rehabilitation project
 - Contract services for the reserved water rights compact commission

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 37.00 | 1.00 | 0.00 | 38.00 | 1.00 | 0.00 | 38.00 | 38.00 |
| Personal Services | 1,744,660 | 160,438 | 56,542 | 1,961,640 | 160,536 | 144,750 | 2,049,946 | 4,011,586 |
| Operating Expenses | 543,492 | 38,491 | 0 | 581,983 | (57,378) | 0 | 486,114 | 1,068,097 |
| Equipment | 0 | 15,000 | 0 | 15,000 | 15,000 | 0 | 15,000 | 30,000 |
| Debt Service | 3,344 | 0 | 0 | 3,344 | 0 | 0 | 3,344 | 6,688 |
| Total Costs | \$2,291,496 | \$213,929 | \$56,542 | \$2,561,967 | \$118,158 | \$144,750 | \$2,554,404 | \$5,116,371 |
| General Fund | 1,819,275 | 130,164 | 56,542 | 2,005,981 | 31,853 | 144,750 | 1,995,878 | 4,001,859 |
| State/Other Special | 400,820 | 74,534 | 0 | 475,354 | 74,450 | 0 | 475,270 | 950,624 |
| Federal Special | 71,401 | 9,231 | 0 | 80,632 | 11,855 | 0 | 83,256 | 163,888 |
| Total Funds | \$2,291,496 | \$213,929 | \$56,542 | \$2,561,967 | \$118,158 | \$144,750 | \$2,554,404 | \$5,116,371 |

Program Description

The Centralized Services Division provides managerial and administrative support services to the department through, the Director's Office, which includes the director, legal staff, and public information; and support services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and mail. Division responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land.

Program Highlights

| Centralized Services Division Major Program Highlights | |
|---|---|
| ♦ | The legislature approved funds to replace the phone system in the Billings office |
| ♦ | 1.00 FTE was approved to hire an attorney to deal with water issues |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-----------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Centralized Services | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,819,275 | 79.4% | \$ 2,005,981 | 78.3% | \$ 1,995,878 | 78.1% |
| | 01100 General Fund | 1,819,275 | 79.4% | 2,005,981 | 78.3% | 1,995,878 | 78.1% |
| 02000 | Total State Special Funds | 400,820 | 17.5% | 475,354 | 18.6% | 475,270 | 18.6% |
| | 02031 Forest Resources - Nursery | 5,000 | 0.2% | 5,000 | 0.2% | 5,000 | 0.2% |
| | 02039 Forestry-Fire Protection Taxes | 43,000 | 1.9% | 47,000 | 1.8% | 47,000 | 1.8% |
| | 02052 Rangeland Improvement Loans | 15,000 | 0.7% | 15,000 | 0.6% | 15,000 | 0.6% |
| | 02073 Forestry - Slash Disposal | - | - | 5,000 | 0.2% | 5,000 | 0.2% |
| | 02145 Broadwater O & M | 9,000 | 0.4% | 9,500 | 0.4% | 9,500 | 0.4% |
| | 02272 Renewable Resources Grnt/Loans | - | - | 5,000 | 0.2% | 5,000 | 0.2% |
| | 02280 Forest Resources-Timber Sales | 75,000 | 3.3% | 78,000 | 3.0% | 78,000 | 3.1% |
| | 02340 Coal Sev. Tax Shared Ssr | 5,000 | 0.2% | 5,000 | 0.2% | 5,000 | 0.2% |
| | 02430 Water Right Appropriation | 27,000 | 1.2% | 65,591 | 2.6% | 65,507 | 2.6% |
| | 02432 Oil & Gas Era | 63,000 | 2.7% | 63,500 | 2.5% | 63,500 | 2.5% |
| | 02449 Forest Resources-Forest Improv | 29,000 | 1.3% | 32,000 | 1.2% | 32,000 | 1.3% |
| | 02450 State Lands Res Dev | 49,820 | 2.2% | 51,263 | 2.0% | 51,263 | 2.0% |
| | 02458 Reclamation & Development | - | - | 6,000 | 0.2% | 6,000 | 0.2% |
| | 02825 Water Well Contractors | 5,000 | 0.2% | 5,000 | 0.2% | 5,000 | 0.2% |
| | 02938 Tlnd - Administration | 75,000 | 3.3% | 82,500 | 3.2% | 82,500 | 3.2% |
| 03000 | Total Federal Special Funds | 71,401 | 3.1% | 80,632 | 3.1% | 83,256 | 3.3% |
| | 03255 Csd Federal Indirect | 71,401 | 3.1% | 80,632 | 3.1% | 83,256 | 3.3% |
| Grand Total | | \$ 2,291,496 | 100.0% | \$ 2,561,967 | 100.0% | \$ 2,554,404 | 100.0% |

The Centralized Services Division is primarily funded with general fund (78 percent), a variety of resource-based accounts (15.62 percent) such as revenue from timber sales and taxes on oil and gas wells, and federal indirect grant reimbursements (3.3 percent). To obtain funding the department charges overhead rates to other divisions to recover costs. The rate varies depending upon the type and amount of managerial, payroll, contract, and accounts payable services provided to the divisions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|---------------|-----------------|------------------|------|-------------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 200,660 | | | | | | 200,852 |
| Vacancy Savings | | | | (77,813) | | | | | | (77,823) |
| Inflation/Deflation | | | | (1,857) | | | | | | (1,679) |
| Fixed Costs | | | | 21,886 | | | | | | (79,410) |
| Total Statewide Present Law Adjustments | | | | \$142,876 | | | | | | \$41,940 |
| DP 2101 - CSD Operating Adjustment | | | | | | | | | | |
| 0.00 | 9,231 | 0 | 9,231 | 18,462 | 0.00 | 11,856 | 0 | 11,855 | | 23,711 |
| DP 2102 - Phone System Billings Office-OTO - Biennial | | | | | | | | | | |
| 0.00 | 7,500 | 7,500 | 0 | 15,000 | 0.00 | 7,500 | 7,500 | 0 | | 15,000 |
| DP 2110 - Attorney | | | | | | | | | | |
| 1.00 | 0 | 37,591 | 0 | 37,591 | 1.00 | 0 | 37,507 | 0 | | 37,507 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 1.00 | \$16,731 | \$45,091 | \$9,231 | \$71,053 | 1.00 | \$19,356 | \$45,007 | \$11,855 | | \$76,218 |
| Grand Total All Present Law Adjustments | | | | \$213,929 | | | | | | \$118,158 |

DP 2101 - CSD Operating Adjustment - The legislature approved operating adjustments for increases in rent and janitorial services.

DP 2102 - Phone System Billings Office-OTO - Biennial - The legislature approved funds to replace the phone system at the DNRC Billings Office, due to age and difficulty in finding parts for repairs. This office houses four divisions: Forestry, Trust Lands, Water Resources, and Conservation and Resource Development, as well as the Department of Environmental Quality.

DP 2110 - Attorney - The legislature approved an addition 1.00 FTE for the legal unit. This position would augment the one existing attorney that is assigned to water matters. One half of the funding for this position will come from the water rights fund. The department is responsible for funding the other half from existing resources.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|-----------------|-------------|------------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 21 | 0.00 | 56,542 | 0 | 0 | 56,542 | 0.00 | 144,750 | 0 | 0 | 144,750 |
| Total | 0.00 | \$56,542 | \$0 | \$0 | \$56,542 | 0.00 | \$144,750 | \$0 | \$0 | \$144,750 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 20.50 | 0.00 | 1.00 | 21.50 | 0.00 | 1.00 | 21.50 | 21.50 |
| Personal Services | 809,721 | 221,639 | 66,037 | 1,097,397 | 235,386 | 117,153 | 1,162,260 | 2,259,657 |
| Operating Expenses | 295,245 | 93,963 | 545,000 | 934,208 | 94,638 | 545,000 | 934,883 | 1,869,091 |
| Equipment | 38,307 | 11,693 | 0 | 50,000 | 11,693 | 0 | 50,000 | 100,000 |
| Total Costs | \$1,143,273 | \$327,295 | \$611,037 | \$2,081,605 | \$341,717 | \$662,153 | \$2,147,143 | \$4,228,748 |
| State/Other Special | 1,036,392 | 434,176 | 611,037 | 2,081,605 | 448,598 | 662,153 | 2,147,143 | 4,228,748 |
| Federal Special | 106,881 | (106,881) | 0 | 0 | (106,881) | 0 | 0 | 0 |
| Total Funds | \$1,143,273 | \$327,295 | \$611,037 | \$2,081,605 | \$341,717 | \$662,153 | \$2,147,143 | \$4,228,748 |

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; 7) determines incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects; 8) operates the underground injection control program; 9) plugs orphan wells; and 10) collects and maintains complete well data and production information.

Program Highlights

| Oil and Gas Conservation Division Major Program Highlights | |
|---|--|
| ♦ | The legislature approved \$140,000 over the biennial to promote Montana's oil and gas industry |
| ♦ | \$600,000 was appropriated for the continuation of coal bed methane studies |
| ♦ | The legislature approved funding for 1.0 FTE to continue the development of public access to oil and gas well data |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Oil & Gas Conservation D | | | | | | | |
|---|-----------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 1,036,392 | 90.7% | \$ 2,081,605 | 100.0% | \$ 2,147,143 | 100.0% |
| | 02432 Oil & Gas Era | 1,036,392 | 90.7% | 2,081,605 | 100.0% | 2,147,143 | 100.0% |
| 03000 | Total Federal Special Funds | 106,881 | 9.3% | - | - | - | - |
| | 03356 Oil & Gas Federal | 106,881 | 9.3% | - | - | - | - |
| Grand Total | | \$ 1,143,273 | 100.0% | \$ 2,081,605 | 100.0% | \$ 2,147,143 | 100.0% |

The division is funded through taxes levied on oil and gas wells and the class II annual operating fee. By statute (15-36-324, MCA) a percentage of oil production taxes and natural gas taxes are deposited to the account for the board's use. The board by statute (82-11-131, MCA) can set privilege and license tax up to 3/10 of 1 percent of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-324, MCA. Section 82-11-137, MCA, provides for a maximum \$300 annual operating fee for each class II injection well. The board set the fee at \$200. The division also receives federal funding from the Environmental Protection Agency (EPA) for the underground injection control program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 225,809 | | | | | 224,419 |
| Vacancy Savings | | | | (41,420) | | | | | (41,366) |
| Inflation/Deflation | | | | (1,984) | | | | | (1,977) |
| Fixed Costs | | | | 6,525 | | | | | 6,582 |
| Total Statewide Present Law Adjustments | | | | \$188,930 | | | | | \$187,658 |
| DP 2206 - O&G Regulatory Program Operating Adjustments | | | | | | | | | |
| 0.00 | 0 | 75,156 | 0 | 75,156 | 0.00 | 0 | 84,499 | 0 | 84,499 |
| DP 2207 - O&G UIC Program Operating Adjustments | | | | | | | | | |
| 0.00 | 0 | 63,209 | 0 | 63,209 | 0.00 | 0 | 69,560 | 0 | 69,560 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$138,365 | \$0 | \$138,365 | 0.00 | \$0 | \$154,059 | \$0 | \$154,059 |
| Grand Total All Present Law Adjustments | | | | \$327,295 | | | | | \$341,717 |

DP 2206 - O&G Regulatory Program Operating Adjustments - The legislature approved present law adjustments for personal services exempt salary and related benefit increases, board per diem, and staff overtime. Operating increases include contracted legal, janitorial, and database services, increase rent in non-state owned buildings, and travel and related costs of a new field inspector.

DP 2207 - O&G UIC Program Operating Adjustments - The legislature approved a present law adjustment for personal services to include exempt salary and related benefit increases, board per diem, and staff overtime. Operating increases include contracted legal, janitorial and database services, travel and related costs of a new field inspector, and general operating costs such as phone, rent and supplies.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|------------------|-----------------|------------------|-------------|--------------|------------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 2201 - Public Access Data System-OTO | | | | | | | | | | |
| 22 | 1.00 | 0 | 209,129 | 0 | 209,129 | 1.00 | 0 | 209,099 | 0 | 209,099 |
| DP 2203 - O&G Energy Education and Outreach-OTO -Biennial | | | | | | | | | | |
| 22 | 0.00 | 0 | 62,500 | 0 | 62,500 | 0.00 | 0 | 62,500 | 0 | 62,500 |
| DP 2204 - O&G North American Prospect Exposition-Biennial | | | | | | | | | | |
| 22 | 0.00 | 0 | 7,500 | 0 | 7,500 | 0.00 | 0 | 7,500 | 0 | 7,500 |
| DP 2205 - Coal Bed Natural Gas Baseline Studies | | | | | | | | | | |
| 22 | 0.00 | 0 | 300,000 | 0 | 300,000 | 0.00 | 0 | 300,000 | 0 | 300,000 |
| DP 6010 - 2007 Biennium Pay Plan - 11B 447 | | | | | | | | | | |
| 22 | 0.00 | 0 | 31,908 | 0 | 31,908 | 0.00 | 0 | 83,054 | 0 | 83,054 |
| Total | 1.00 | \$0 | \$611,037 | \$0 | \$611,037 | 1.00 | \$0 | \$662,153 | \$0 | \$662,153 |

DP 2201 - Public Access Data System-OTO - The legislature approved state special revenue to expand upon an on-going data project started in the 2005 biennium to acquire and maintain historical oil and gas data, including well logs and field information, and scan the data for web delivery.

DP 2203 - O&G Energy Education and Outreach-OTO -Biennial - The legislature approved a one-time-only biennial appropriation of state special revenue to provide summer oil and gas workshops for teachers, provide curricula materials and field trips to students at all grade levels, and develop a science project competition.

DP 2204 - O&G North American Prospect Exposition-Biennial - The legislature approved an appropriation of state special revenue to sponsor a "Come to Montana" booth at the annual North American Prospect Expedition, a convention of oil and gas company representatives from all over the world.

DP 2205 - Coal Bed Natural Gas Baseline Studies - The legislature approved state special revenue each year to complete baseline studies and investigations to improve the effectiveness of the oil and gas regulatory program in relation to coal bed methane production. Funds will also be used to provide matching funds for Department of Energy research solicitations regarding coal bed methane production.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The department is authorized to decrease state special revenue in the underground injection control program and increase federal special revenue by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue is to be spent before state special revenue."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 21.50 | 1.00 | 3.00 | 25.50 | 1.00 | 3.00 | 25.50 | 25.50 |
| Personal Services | 1,181,422 | 26,407 | 187,406 | 1,395,235 | 28,455 | 248,401 | 1,458,278 | 2,853,513 |
| Operating Expenses | 1,058,250 | 88,922 | 418,443 | 1,565,615 | 100,953 | 415,443 | 1,574,646 | 3,140,261 |
| Equipment | 24,404 | 0 | 0 | 24,404 | 0 | 0 | 24,404 | 48,808 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 213,373 | 25,000 | 250,000 | 488,373 | 25,000 | 250,000 | 488,373 | 976,746 |
| Grants | 924,622 | 47,168 | 150,000 | 1,121,790 | 48,263 | 0 | 972,885 | 2,094,675 |
| Benefits & Claims | 1,000,000 | (1,000,000) | 0 | 0 | (1,000,000) | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 77,080 | 0 | 0 | 77,080 | 0 | 0 | 77,080 | 154,160 |
| Total Costs | \$4,479,151 | (\$812,503) | \$1,005,849 | \$4,672,497 | (\$797,329) | \$913,844 | \$4,595,666 | \$9,268,163 |
| General Fund | 2,316,762 | (1,044,798) | 27,243 | 1,299,207 | (1,044,080) | 69,721 | 1,342,403 | 2,641,610 |
| State/Other Special | 1,961,828 | 165,593 | 978,606 | 3,106,027 | 170,899 | 844,123 | 2,976,850 | 6,082,877 |
| Federal Special | 200,561 | 66,702 | 0 | 267,263 | 75,852 | 0 | 276,413 | 543,676 |
| Total Funds | \$4,479,151 | (\$812,503) | \$1,005,849 | \$4,672,497 | (\$797,329) | \$913,844 | \$4,595,666 | \$9,268,163 |

Program Description

The Conservation and Resource Development Division provides technical, administrative, financial, and legal assistance to Montana's 58 conservation districts by administering the Conservation District Act, Montana Rangeland Resources Act, and the Natural Streambed and Land Preservation Act. The division also manages several loan and grant programs for local communities, local governments, state agencies, and private citizens. The programs include the state revolving fund, which currently includes \$150 million loaned to communities for water and waste water systems, coal severance tax loans to governmental entities totaling \$45 million, and private loans for \$16.5 million. Grant programs administered by the division include the Reclamation Development, Renewable Resource, and Conservation District grant programs.

Program Highlights

| Conservation and Resource Development Division Major Program Highlights | |
|--|--|
| ♦ | The legislature approved funding for 3.00 FTE for rangeland, conservation, and irrigation activities |
| ♦ | The St. Mary's rehabilitation project was provided 1.00 FTE and operating costs for an engineer |
| ♦ | An irrigation development program was established with an appropriation of \$150,000 per year |

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted. This program is primarily funded with general fund, RIT accounts, and coal severance taxes.

| | | Program Funding Table Conservation/Resource De | | | | | |
|-----------------|--------------------------------------|---|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 2,316,762 | 51.7% | \$ 1,299,207 | 27.8% | \$ 1,342,403 | 29.2% |
| | 01100 General Fund | 2,316,762 | 51.7% | 1,299,207 | 27.8% | 1,342,403 | 29.2% |
| 02000 | Total State Special Funds | 1,961,828 | 43.8% | 3,106,027 | 66.5% | 2,976,850 | 64.8% |
| | 02015 Tsep Regional Water System | 360,370 | 8.0% | 540,034 | 11.6% | 542,932 | 11.8% |
| | 02052 Rangeland Improvement Loans | 8,111 | 0.2% | 8,111 | 0.2% | 8,111 | 0.2% |
| | 02270 Treasure State Endowment | 28,000 | 0.6% | 28,000 | 0.6% | 28,000 | 0.6% |
| | 02272 Renewable Resources Grnt/Loans | 315,177 | 7.0% | 295,861 | 6.3% | 302,732 | 6.6% |
| | 02316 Go94B/Ban 93D Admin | 15,095 | 0.3% | 19,550 | 0.4% | 20,400 | 0.4% |
| | 02340 Coal Sev. Tax Shared Ssr | 627,132 | 14.0% | 798,554 | 17.1% | 799,553 | 17.4% |
| | 02433 Grazing District Fees | 40,456 | 0.9% | 43,956 | 0.9% | 43,956 | 1.0% |
| | 02458 Reclamation & Development | 490,407 | 10.9% | 1,044,881 | 22.4% | 904,086 | 19.7% |
| | 02490 Drinking Water Investment | - | - | 250,000 | 5.4% | 250,000 | 5.4% |
| | 02997 Go 2004A Ww Srf Coi | 77,080 | 1.7% | 77,080 | 1.6% | 77,080 | 1.7% |
| 03000 | Total Federal Special Funds | 200,561 | 4.5% | 267,263 | 5.7% | 276,413 | 6.0% |
| | 03178 Res Dev & Cons - Fed | 35,650 | 0.8% | 35,650 | 0.8% | 35,650 | 0.8% |
| | 03245 Wastewater Treatment Grant | 74,907 | 1.7% | 95,450 | 2.0% | 99,600 | 2.2% |
| | 03442 Dw Srf 03 | 68,841 | 1.5% | 108,000 | 2.3% | 110,000 | 2.4% |
| | 03687 Drinking Water Srf Ffy02 | 21,163 | 0.5% | 28,163 | 0.6% | 31,163 | 0.7% |
| Grand Total | | <u>\$ 4,479,151</u> | <u>100.0%</u> | <u>\$ 4,672,497</u> | <u>100.0%</u> | <u>\$ 4,595,666</u> | <u>100.0%</u> |

RIT funding is used to administer the Reclamation Development Grants Program (RDGP) and the Renewable Resources Grant and Loan Program (RRGLP). The RDGP is a state-funded grant program that assists any department, agency, and division of state government, tribal government, board, or commission to indemnify the people of the state for the effects of mineral development on public resources. The RRGLP funds a variety of natural resource projects including groundwater studies, irrigation projects, water and soil conservation, and public wastewater projects primarily through grants administered by the department. Coal severance tax is used to provide grants to conservation districts for natural resource related projects such as streambed stabilization, soil conservation, educational activities, and demonstrations of new technologies.

The Natural Resource Development Bureau utilizes nearly half of the division general fund to administer grant and loan programs, provide assistance to conservation districts for the administration of water reservations, and assist landowners to develop new irrigation. The Conservation District Bureau utilizes just over half of the available general fund to assist Montana conservation and grazing districts. The remaining program funding includes miscellaneous state special revenue, federal drinking water and water pollution control funds, and miscellaneous federal sources used to supplement division activities.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 27,085 | | | | | 29,321 | |
| Vacancy Savings | | | | (48,342) | | | | | (48,428) | |
| Inflation/Deflation | | | | (5,234) | | | | | (5,152) | |
| Fixed Costs | | | | 11,656 | | | | | 11,605 | |
| Total Statewide Present Law Adjustments | | | | (\$14,835) | | | | | (\$12,654) | |
| DP 2301 - CARDD Regional Water Coordinator | 1.00 | 0 | 47,664 | 0 | 47,664 | 1.00 | 0 | 47,562 | 0 | 47,562 |
| DP 2302 - CARDD Operating Adjustment | 0.00 | 2,000 | 36,000 | 14,000 | 52,000 | 0.00 | 2,000 | 36,000 | 20,000 | 58,000 |
| DP 2303 - Regional Water Systems | 0.00 | 0 | 27,000 | 0 | 27,000 | 0.00 | 0 | 33,000 | 0 | 33,000 |
| DP 2310 - Grazing District Commission-Biennial | 0.00 | 0 | 3,500 | 0 | 3,500 | 0.00 | 0 | 3,500 | 0 | 3,500 |
| DP 2313 - Crow Tribe Settlement Adjustment | 0.00 | (1,000,000) | 0 | 0 | (1,000,000) | 0.00 | (1,000,000) | 0 | 0 | (1,000,000) |
| DP 2314 - Conservation Districts Financial Assistance-BI | 0.00 | 0 | 47,168 | 0 | 47,168 | 0.00 | 0 | 48,263 | 0 | 48,263 |
| DP 2325 - Salinity Control | 0.00 | 0 | 25,000 | 0 | 25,000 | 0.00 | 0 | 25,000 | 0 | 25,000 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 1.00 | (\$998,000) | \$186,332 | \$14,000 | (\$797,668) | 1.00 | (\$998,000) | \$193,325 | \$20,000 | (\$784,675) |
| Grand Total All Present Law Adjustments | | | | (\$812,503) | | | | | (\$797,329) | |

DP 2301 - CARDD Regional Water Coordinator - The legislature approved 1.0 FTE for a regional water coordinator. This position coordinates the regional water system projects in the State of Montana from the state's perspective, coordinating between DNRC, Department of Environmental Quality, Montana Department of Transportation, and other state and federal agencies.

DP 2302 - CARDD Operating Adjustment - The legislature approved a base adjustment for rent increases in non-state owned buildings in Helena, Billings, and Miles City, and for contract services, travel, and supplies.

DP 2303 - Regional Water Systems - The legislature approved state special revenue for administrative expenses as necessary to continue to secure federal funding, maintain local support, and negotiate needed agreements to work on engineering and environmental planning for the various systems. The federal funding in the total will be in excess of \$400 million. The federal funds received to date are \$5 million.

DP 2310 - Grazing District Commission-Biennial - The legislature approved a base adjustment for the Grazing District Commission. The commission anticipates increased costs for its contract executive director position and operations.

DP 2313 - Crow Tribe Settlement Adjustment - The legislature removed \$1.0 million general fund from the base budget previously utilized to pay for the Crow Tribe settlement. The entire Crow Tribe settlement is proposed to be paid in FY 2005.

DP 2314 - Conservation Districts Financial Assistance-Biennial - The legislature approved a state special revenue biennial appropriation from shared coal severance tax for conservation district grants administrative support. This proposal would increase the department's conservation district administrative grant program the grant program for projects and activities.

DP 2325 - Salinity Control - The legislature approved an increase of state special revenue for the Montana Salinity Control Association. The association has received grant dollars from the department since 1989. This addition will provide increased operating funds to procure equipment, provide hands-on educational programs, and start new watershed projects.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|-----------------|------------------|-----------------|--------------------|-------------|-----------------|------------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 2304 - MT Drinking Water Loan Program | | | | | | | | | | |
| 23 | 0.00 | 0 | 250,000 | 0 | 250,000 | 0.00 | 0 | 250,000 | 0 | 250,000 |
| DP 2305 - Central Montana Regional Water Project | | | | | | | | | | |
| 23 | 0.00 | 0 | 105,000 | 0 | 105,000 | 0.00 | 0 | 102,000 | 0 | 102,000 |
| DP 2320 - Conservation District Position | | | | | | | | | | |
| 23 | 1.00 | 0 | 70,475 | 0 | 70,475 | 1.00 | 0 | 70,382 | 0 | 70,382 |
| DP 2321 - Irrigation Development | | | | | | | | | | |
| 23 | 0.00 | 0 | 150,000 | 0 | 150,000 | 0.00 | 0 | 150,000 | 0 | 150,000 |
| DP 2322 - Missouri River Conservation District Council | | | | | | | | | | |
| 23 | 0.00 | 0 | 80,000 | 0 | 80,000 | 0.00 | 0 | 80,000 | 0 | 80,000 |
| DP 2324 - Rangeland Management Position | | | | | | | | | | |
| 23 | 1.00 | 0 | 69,004 | 0 | 69,004 | 1.00 | 0 | 68,908 | 0 | 68,908 |
| DP 2327 - St. Mary's Project Engineer | | | | | | | | | | |
| 23 | 1.00 | 0 | 62,121 | 0 | 62,121 | 1.00 | 0 | 62,011 | 0 | 62,011 |
| DP 2360 - Conservation Districts Assistance OTO | | | | | | | | | | |
| 23 | 0.00 | 0 | 150,000 | 0 | 150,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 2365 - HB482 - Increased Coal Tax Shared Account | | | | | | | | | | |
| 23 | 0.00 | 0 | 30,250 | 0 | 30,250 | 0.00 | 0 | 30,250 | 0 | 30,250 |
| DP 6010 - 2007 Biennium Pay Plan - IIB 447 | | | | | | | | | | |
| 23 | 0.00 | 27,243 | 11,756 | 0 | 38,999 | 0.00 | 69,721 | 30,572 | 0 | 100,293 |
| Total | 3.00 | \$27,243 | \$978,606 | \$0 | \$1,005,849 | 3.00 | \$69,721 | \$844,123 | \$0 | \$913,844 |

DP 2304 - MT Drinking Water Loan Program - The legislature approved an expansion of the State Revolving Fund Drinking Water Program to match the federal program authority for the Safe Drinking Water program. This program provides funds for training, technical assistance, and the issuance of low interest loans to local governmental entities to finance drinking water facilities and implement the Safe Drinking Water Act.

DP 2305 - Central Montana Regional Water Project - The legislature approved authority for the development of the Central Montana Regional Water Project. Funding would cover the administrative expenses associated with maintaining local support and negotiating agreements to work on engineering and environmental planning for the regional water system. This system would facilitate the construction of a regional water system for five small communities in the Musselshell Valley area. The service area includes Fergus, Judith Basin, Wheatland, Golden Valley, Yellowstone, and Musselshell counties and will serve up to 5,000 people.

DP 2320 - Conservation District Position - The legislature approved the restoration of 1.0 FTE that was removed in the 2003 legislative session. This position will work with conservation districts on a variety of projects, provide guidance on program issues, and secure cooperation with other state and federal agencies.

DP 2321 - Irrigation Development - The legislature approved state special revenue to provide grants to develop new irrigation or increase the value of existing agricultural land through improved irrigation. High value crops such as potatoes, sugar beets, and malt barley are targeted in this program.

DP 2322 - Missouri River Conservation District Council - The legislature approved state special revenue to support the work of the Missouri River Development Council. The council consists of 15 districts that have joined together to address natural resource issues along the Missouri River.

DP 2324 - Rangeland Management Position - The legislature approved 1.0 FTE to re-instate the range land management position. The funding for this position was eliminated in the 2003 legislative session.

DP 2327 - St. Mary's Project Engineer - The legislature approved state special revenue to fund 1.0 FTE to provide engineering oversight on the St. Mary's project. This engineer would review and evaluate the engineering work associated with the project as the plan progresses.

DP 2360 - Conservation Districts Assistance OTO - The legislature approved a one-time only appropriation of state special revenue to support the activities of the conservation districts.

DP 2365 - HB482 - Increased Coal Tax Shared Account - The legislature provided an increase in state special revenue for conservation district assistance. This is contingent on the passage of HB 482.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The department is appropriated up to \$600,000 for the 2007 biennium from the state special revenue account established in 85-1-604 for the purchase of prior liens on property held as loan security as required by 85-1-618.

The department is authorized to decrease federal special revenue in the pollution control and/or drinking water revolving loan programs and increase state special revenue by a like amount within the special administration account when:

- (1) the federal capitalization funds have been expended; or
- (2) federal funds and bond proceeds are used for other program purposes.

If grazing fees are raised during the 2007 biennium, up to \$20,000 of funds in the grazing district account is appropriated to the grass conservation commission for contingency operations.

During the 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 109.50 | 0.00 | 40.00 | 149.50 | 0.00 | 40.00 | 149.50 | 149.50 |
| Personal Services | 5,252,169 | 365,896 | 1,881,078 | 7,499,143 | 370,736 | 2,206,409 | 7,829,314 | 15,328,457 |
| Operating Expenses | 1,768,414 | 703,406 | 865,234 | 3,337,054 | 738,698 | 486,261 | 2,993,373 | 6,330,427 |
| Equipment | 5,772 | 28,500 | 36,695 | 70,967 | 0 | 0 | 5,772 | 76,739 |
| Capital Outlay | 75 | 0 | 0 | 75 | 0 | 0 | 75 | 150 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 600,000 | 600,000 | 0 | 1,000,000 | 1,000,000 | 1,600,000 |
| Debt Service | 389,042 | 80,702 | 0 | 469,744 | 80,702 | 0 | 469,744 | 939,488 |
| Total Costs | \$7,415,472 | \$1,178,504 | \$3,383,007 | \$11,976,983 | \$1,190,136 | \$3,692,670 | \$12,298,278 | \$24,275,261 |
| General Fund | 5,866,304 | 320,952 | 1,171,816 | 7,359,072 | 327,098 | 1,440,786 | 7,634,188 | 14,993,260 |
| State/Other Special | 1,464,378 | 849,569 | 2,209,666 | 4,523,613 | 854,722 | 2,247,934 | 4,567,034 | 9,090,647 |
| Federal Special | 84,790 | 7,983 | 1,525 | 94,298 | 8,316 | 3,950 | 97,056 | 191,354 |
| Total Funds | \$7,415,472 | \$1,178,504 | \$3,383,007 | \$11,976,983 | \$1,190,136 | \$3,692,670 | \$12,298,278 | \$24,275,261 |

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. It manages and maintains the state-owned dams, reservoirs, and canals. The division also develops and recommends in-state, interstate, and international water policy to the director, Governor, and Legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, State Water Projects Bureau, and the Water Operations Bureau.

Program Highlights

| Water Resources Division Major Program Highlights | |
|--|--|
| ♦ | With the passage of HB 22, the legislature appropriated \$1.9 million per year of water adjudication fees to expedite the adjudication process |
| ♦ | The legislature approved \$2.0 million in general fund to improve the water rights data base and expedite the adjudication process |
| ♦ | Routine repairs of state owned water projects were appropriated \$746,000 over the biennium |
| ♦ | Emergency repairs will be funded through the budget amendment process |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|--------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| | | Water Resources Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 5,866,304 | 79.1% | \$ 7,359,072 | 61.4% | \$ 7,634,188 | 62.1% |
| | 01100 General Fund | 5,866,304 | 79.1% | 7,359,072 | 61.4% | 7,634,188 | 62.1% |
| 02000 | Total State Special Funds | 1,464,378 | 19.7% | 4,523,613 | 37.8% | 4,567,034 | 37.1% |
| | 02104 Miscellaneous State Spec Rev | 227,504 | 3.1% | 308,206 | 2.6% | 308,206 | 2.5% |
| | 02145 Broadwater O & M | 302,915 | 4.1% | 355,503 | 3.0% | 365,829 | 3.0% |
| | 02147 Broadwater R & R | - | - | 325,000 | 2.7% | 325,000 | 2.6% |
| | 02177 Cst 90 A Fisheries Mitigation | - | - | 27,000 | 0.2% | 27,000 | 0.2% |
| | 02216 Water Storage St Sp Rev Acct | - | - | 272,300 | 2.3% | 272,300 | 2.2% |
| | 02272 Renewable Resources Grnt/Loans | 16,868 | 0.2% | 20,501 | 0.2% | 20,501 | 0.2% |
| | 02351 Water Project Lands Lease Acct | 8,642 | 0.1% | 8,553 | 0.1% | 8,557 | 0.1% |
| | 02409 General License | 15,658 | 0.2% | 75,304 | 0.6% | 77,933 | 0.6% |
| | 02430 Water Right Appropriation | 519,852 | 7.0% | 685,459 | 5.7% | 707,003 | 5.7% |
| | 02431 Water Adjudication | - | - | 1,991,600 | 16.6% | 1,991,600 | 16.2% |
| | 02458 Reclamation & Development | 145,720 | 2.0% | 111,085 | 0.9% | 118,219 | 1.0% |
| | 02470 State Project Hydro Earnings | 161,538 | 2.2% | 261,038 | 2.2% | 261,038 | 2.1% |
| | 02825 Water Well Contractors | 65,681 | 0.9% | 82,064 | 0.7% | 83,848 | 0.7% |
| 03000 | Total Federal Special Funds | 84,790 | 1.1% | 94,298 | 0.8% | 97,056 | 0.8% |
| | 03034 Yellowstone Groundwater Nps | 22,999 | 0.3% | 22,999 | 0.2% | 22,999 | 0.2% |
| | 03094 Fema Federal Grants | 61,554 | 0.8% | 71,299 | 0.6% | 74,057 | 0.6% |
| | 03308 Water Resources - Federal | 237 | 0.0% | - | - | - | - |
| Grand Total | | <u>\$ 7,415,472</u> | <u>100.0%</u> | <u>\$ 11,976,983</u> | <u>100.0%</u> | <u>\$ 12,298,278</u> | <u>100.0%</u> |

The Water Resource Division is predominantly funded with general fund (62.1 percent), state special revenue (37.1 percent), and a minor amount of federal revenue. Sources and purpose of state special revenue include:

- Water storage account funded by direct allocation of RIT interest and revenue from water purchase contracts for the purpose of construction, operation, maintenance and rehabilitation of state water storage projects
- Water rights fees derived from fees collected to record rights to support water rights management
- Income derived from state owned hydroelectric projects for repair and rehabilitation of state owned water projects
- General license account dollars for fisheries mitigation work
- Fees from water well contractors that support the Board of Water Well Contractors

Federal funds are from Federal Emergency Management Agency (FEMA) grants and the Bureau of Reclamation.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 599,143 | | | | | 604,190 |
| Vacancy Savings | | | | (234,047) | | | | | (234,254) |
| Inflation/Deflation | | | | (18,472) | | | | | (17,855) |
| Fixed Costs | | | | 24,638 | | | | | 38,790 |
| Total Statewide Present Law Adjustments | | | | \$371,262 | | | | | \$390,871 |
| DP 2402 - Water Resources Operating Adjustments | | | | | | | | | |
| 0.00 | 78,531 | 91,485 | 0 | 170,016 | 0.00 | 66,541 | 90,498 | 0 | 157,039 |
| DP 2403 - Rehab of N. Fork of Smith Dam and Nilan N. Dam OTO | | | | | | | | | |
| 0.00 | 0 | 165,000 | 0 | 165,000 | 0.00 | 0 | 165,000 | 0 | 165,000 |
| DP 2404 - Broadwater Power Project-FERC Fisheries Mitigation | | | | | | | | | |
| 0.00 | 0 | 43,000 | 0 | 43,000 | 0.00 | 0 | 43,000 | 0 | 43,000 |
| DP 2405 - Water Projects Pre-construction Engineering OTO | | | | | | | | | |
| 0.00 | 0 | 206,800 | 0 | 206,800 | 0.00 | 0 | 206,800 | 0 | 206,800 |
| DP 2406 - Water Well Litigation & PerDiem-RST-OTO | | | | | | | | | |
| 0.00 | 0 | 16,800 | 0 | 16,800 | 0.00 | 0 | 16,800 | 0 | 16,800 |
| DP 2407 - FBC Operating Budget | | | | | | | | | |
| 0.00 | 0 | (119,374) | 0 | (119,374) | 0.00 | 0 | (114,374) | 0 | (114,374) |
| DP 2411 - Broadwater Bridge Rebuild - Biennial OTO RST | | | | | | | | | |
| 0.00 | 0 | 325,000 | 0 | 325,000 | 0.00 | 0 | 325,000 | 0 | 325,000 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$78,531 | \$728,711 | \$0 | \$807,242 | 0.00 | \$66,541 | \$732,724 | \$0 | \$799,265 |
| Grand Total All Present Law Adjustments | | | | \$1,178,504 | | | | | \$1,190,136 |

DP 2402 - Water Resources Operating Adjustments - The legislature approved general fund and state special revenue for the 2007 biennium for operating adjustments such as rent, utilities, contracted services, and leased vehicles through the state motor pool.

DP 2403 - Rehabilitation of N. Fork of Smith Dam and Nilan N. Dam OTO - The legislature approved a one-time only, restricted, biennial state special revenue appropriation for rehabilitation projects on the North Fork of Smith Dam and Nilan North Dam.

DP 2404 - Broadwater Power Project-FERC Fisheries Mitigation - The legislature approved a biennial appropriation of state special revenue to fund fisheries mitigation work required by the Federal Energy Regulatory Commission (FERC). Funds will be used to contract with the Department of Fish, Wildlife and Parks (DFWP) to perform annual fish population studies and evaluation of completed habitat improvement projects to mitigate impacts from the construction of the Broadwater Hydropower Plant.

DP 2405 - Water Projects Pre-construction Engineering OTO - The legislature approved a one-time-only, biennial appropriation of state special revenue for land surveying services and pre-construction engineering on two projects in need of major rehabilitation. Funds will be used to contract with private engineering firms to complete the pre-construction engineering on the Ruby Dam and the Painted Rock Dam. The engineering would establish the basis for funding and carrying out the actual rehabilitation construction stage.

DP 2406 - Water Well Litigation & PerDiem-RST-OTO - The legislature approved state special revenue for increased contracted legal and other litigation costs of the Board of Water Well Contractors. Bond revenues from contractors are not available prior to incurring these costs. The balance of the appropriation is for increased travel and per diem costs for the non-government representatives of the board.

DP 2407 - FBC Operating Budget - The legislature approved a reduction in the base budget to reflect operational changes. The Flathead Basin Commission (FBC) is charged to protect the natural resources and environment of the Flathead Basin.

DP 2411 - Broadwater Bridge Rebuild - Biennial OTO Restricted - The legislature approved a one-time-only, biennial appropriation of state special revenue to replace the Broadwater spillway bridge structure. Replacement of the existing spillway bridge structure is necessary to address public and worker safety, provide access for maintenance equipment, and comply with current engineering design criteria and building codes.

New Proposals

| New Proposals | | | | | | | | | | |
|---|--------------|--------------------|--------------------|-----------------|--------------------|--------------|--------------------|--------------------|-----------------|--------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 2408 - Water Right Records Optical Imaging-OTO | | | | | | | | | | |
| 24 | 0.00 | 0 | 108,551 | 0 | 108,551 | 0.00 | 0 | 89,556 | 0 | 89,556 |
| DP 2409 - Water Adjudication Funding OTO | | | | | | | | | | |
| 24 | 0.00 | 600,000 | 0 | 0 | 600,000 | 0.00 | 1,000,000 | 0 | 0 | 1,000,000 |
| DP 2412 - Clark Fork Task Force | | | | | | | | | | |
| 24 | 0.00 | 0 | 12,500 | 0 | 12,500 | 0.00 | 0 | 12,500 | 0 | 12,500 |
| DP 2413 - Water Adjudication Database OTO | | | | | | | | | | |
| 24 | 0.00 | 400,000 | 0 | 0 | 400,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 2414 - St. Mary's Hydrologist | | | | | | | | | | |
| 24 | 1.00 | 0 | 61,257 | 0 | 61,257 | 1.00 | 0 | 61,147 | 0 | 61,147 |
| DP 2415 - Water Adjudication - HB 22 | | | | | | | | | | |
| 24 | 39.00 | 0 | 1,991,600 | 0 | 1,991,600 | 39.00 | 0 | 1,991,600 | 0 | 1,991,600 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 24 | 0.00 | 171,816 | 35,758 | 1,525 | 209,099 | 0.00 | 440,786 | 93,131 | 3,950 | 537,867 |
| Total | 40.00 | \$1,171,816 | \$2,209,666 | \$1,525 | \$3,383,007 | 40.00 | \$1,440,786 | \$2,247,934 | \$3,950 | \$3,692,670 |

DP 2408 - Water Right Records Optical Imaging-OTO - The legislature approved state special revenue to replace the microfilm system with an optical imaging system to capture water right information consisting of 350,000 plus files and over six million images. This system will transfer the information from a read only microfilm system to internet accessible files linked with the water rights database.

DP 2409 - Water Adjudication Funding OTO - The legislature approved general fund each year of the biennium to expedite the water rights adjudication process. The funds will be transferred to the water adjudication account.

DP 2412 - Clark Fork Task Force - The legislature approved \$12,500 per year of recreation and development funding for support of the task force. The task force provides monitoring and assistance in the development of the state water plan.

DP 2413 - Water Adjudication Database OTO - The legislature approved a general fund one-time-only restricted appropriation to implement database upgrades to expedite the water adjudication process.

DP 2414 - St. Mary's Hydrologist - The legislature approved 1.00 FTE for a hydrologist to assist the state's effort in the Milk River Basin rehabilitation of the aging St. Mary's facilities.

DP 2415 - Water Adjudication - HB 22 - The legislature approved a biennial appropriation of state special revenue generated fees from implementation of HB 22. This funding will be used to examine 57,000 water right claims by June 30, 2015 and issue a preliminary or temporary preliminary decrees on all basins by June 30, 2020. Funding includes 33.5 FTE for claims examination, 2.00 FTE for geographic information specialists, and 3.5 FTE for administrative assistants.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However his authority to do so is questioned and may be challenged through legal action.

The department shall present a written report to the environmental quality council at each meeting during the 2007 biennium on the status of the water right database project and the water adjudication process. The report must include the number and types of adjudications that have been completed on a monthly basis.

During the 2007 biennium, up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project.

During the 2007 biennium, if the department obtains federal funding for the St. Mary's rehabilitation project, it must be used to replace state special revenue approved to fund personal services and related costs of the St. Mary's engineer and St. Mary's hydrologist."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 9.00 | 0.00 | 0.00 | 9.00 | 0.00 | 0.00 | 9.00 | 9.00 |
| Personal Services | 530,733 | 27,891 | 15,187 | 573,811 | 27,705 | 38,523 | 596,961 | 1,170,772 |
| Operating Expenses | 133,717 | (2,004) | 97,500 | 229,213 | (734) | 97,500 | 230,483 | 459,696 |
| Total Costs | \$664,450 | \$25,887 | \$112,687 | \$803,024 | \$26,971 | \$136,023 | \$827,444 | \$1,630,468 |
| General Fund | 664,450 | 25,887 | 112,687 | 803,024 | 26,971 | 136,023 | 827,444 | 1,630,468 |
| Total Funds | \$664,450 | \$25,887 | \$112,687 | \$803,024 | \$26,971 | \$136,023 | \$827,444 | \$1,630,468 |

Program Description

The Montana Reserved Water Rights Compact Commission was created by the Legislature in 1979 as part of the statewide water rights adjudication effort. It consists of four members appointed by the Governor, two by the President of the Senate, two by the Speaker of the House of Representatives, and one by the Attorney General. Members serve for four years. The commission negotiates water rights with the Indian tribes and federal agencies, which claim federal reserved water rights within the state, to establish a formal agreement (compact) on the amount of water to be allocated to each interest. Legal, technical, and administrative staff supports the commission.

Program Highlights

| Reserved Water Rights Compact Commission Major Program Highlights | |
|--|---|
| ♦ | Present law adjustments were approved |
| ♦ | One-time only contract services were approved to assist the commission to meet the termination date |

Funding

The commission is funded exclusively with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-----------------|-------------|--------------|---------------|-----------------|-----------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 46,134 | | | | | 45,940 |
| Vacancy Savings | | | | (23,073) | | | | | (23,065) |
| Inflation/Deflation | | | | (231) | | | | | (181) |
| Fixed Costs | | | | (4,343) | | | | | (4,352) |
| Total Statewide Present Law Adjustments | | | | \$18,487 | | | | | \$18,342 |
| DP 2501 - Reserved Water Rights Compact Commission Operating | | | | | | | | | |
| 0.00 | 7,400 | 0 | 0 | 7,400 | 0.00 | 8,629 | 0 | 0 | 8,629 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$7,400 | \$0 | \$0 | \$7,400 | 0.00 | \$8,629 | \$0 | \$0 | \$8,629 |
| Grand Total All Present Law Adjustments | | | | \$25,887 | | | | | \$26,971 |

DP 2501 - Reserved Water Rights Compact Commission Operating - The legislature approved a present law adjustment to annualize the increase in rent and janitorial services. The adjustment also restores travel and per diem for the nine commission members.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 2502 - RWCC - Contracted Services - Biennial OTO | | | | | | | | | | |
| 25 | 0.00 | 97,500 | 0 | 0 | 97,500 | 0.00 | 97,500 | 0 | 0 | 97,500 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 25 | 0.00 | 15,187 | 0 | 0 | 15,187 | 0.00 | 38,523 | 0 | 0 | 38,523 |
| Total | 0.00 | \$112,687 | \$0 | \$0 | \$112,687 | 0.00 | \$136,023 | \$0 | \$0 | \$136,023 |

DP 2502 - RWCC - Contracted Services - Biennial OTO - The legislature approved one-time-only biennial funding for contracted services of a biologist and an engineer. These activities are related to negotiations with tribal governments and the U.S. Forest Service.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 288.74 | 2.00 | 7.79 | 298.53 | 2.00 | 7.79 | 298.53 | 298.53 |
| Personal Services | 12,018,161 | 1,445,744 | 701,550 | 14,165,455 | 1,462,586 | 1,361,261 | 14,842,008 | 29,007,463 |
| Operating Expenses | 6,015,214 | 382,605 | 89,179 | 6,486,998 | 417,422 | 89,162 | 6,521,798 | 13,008,796 |
| Equipment | 599,324 | 16,000 | 380,872 | 996,196 | 0 | 381,000 | 980,324 | 1,976,520 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 37,243 | 0 | 0 | 37,243 | 0 | 0 | 37,243 | 74,486 |
| Transfers | 398,339 | 353,117 | 257,965 | 1,009,421 | 154,762 | 257,965 | 811,066 | 1,820,487 |
| Debt Service | 17,646 | 0 | 0 | 17,646 | 0 | 0 | 17,646 | 35,292 |
| Total Costs | \$19,085,927 | \$2,197,466 | \$1,429,566 | \$22,712,959 | \$2,034,770 | \$2,089,388 | \$23,210,085 | \$45,923,044 |
| General Fund | 6,158,738 | 815,529 | 1,192,805 | 8,167,072 | 633,845 | 1,494,226 | 8,286,809 | 16,453,881 |
| State/Other Special | 11,625,982 | 1,138,313 | 211,389 | 12,975,684 | 1,155,462 | 532,599 | 13,314,043 | 26,289,727 |
| Federal Special | 1,301,207 | 243,624 | 25,372 | 1,570,203 | 245,463 | 62,563 | 1,609,233 | 3,179,436 |
| Total Funds | \$19,085,927 | \$2,197,466 | \$1,429,566 | \$22,712,959 | \$2,034,770 | \$2,089,388 | \$23,210,085 | \$45,923,044 |

Program Description*Forestry*

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners. Specific programs include:

- Fire and Aviation Management - Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support
- Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana
- Administering Montana Fire Hazard Reduction Law - Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced
- Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses and communities
- Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana

Trust Land Management

The Trust Land Management Division is responsible for managing Montana's trust land resources to provide revenues for the trust beneficiaries while considering environmental factors and protecting future income generating capacity of the land. The division provides this through four primary programs: forest management, agriculture and grazing management, special use management and minerals management.

Program Highlights

| Trust Lands/Forestry Division Major Program Highlights | |
|---|---|
| ♦ | Trust land management received appropriations for: |
| ♦ | Continuation of commercial leasing and land banking activities |
| ♦ | 2.00 FTE to assist with increased timber harvests |
| ♦ | Forestry received appropriations for: |
| ♦ | \$2.0 million for increased initial attack activities |
| ♦ | Fire pay exception for seasonal fire fighters to maintain competitiveness |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Forestry/Trust Lands | | | | | |
|-----------------|--------------------------------------|---|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 6,158,738 | 32.3% | \$ 8,167,072 | 36.0% | \$ 8,286,809 | 35.7% |
| | 01100 General Fund | 6,158,738 | 32.3% | 8,167,072 | 36.0% | 8,286,809 | 35.7% |
| 02000 | Total State Special Funds | 11,625,982 | 60.9% | 12,975,684 | 57.1% | 13,314,043 | 57.4% |
| | 02031 Forest Resources - Nursery | 372,726 | 2.0% | 458,520 | 2.0% | 487,672 | 2.1% |
| | 02039 Forestry-Fire Protection Taxes | 2,335,114 | 12.2% | 2,614,847 | 11.5% | 2,616,783 | 11.3% |
| | 02073 Forestry - Slash Disposal | 106,269 | 0.6% | 142,360 | 0.6% | 147,772 | 0.6% |
| | 02241 Dsl Recreational Use Account | 70,273 | 0.4% | 89,859 | 0.4% | 92,465 | 0.4% |
| | 02280 Forest Resources-Timber Sales | 3,021,755 | 15.8% | 3,363,429 | 14.8% | 3,488,553 | 15.0% |
| | 02324 State Land Bank | - | - | 153,000 | 0.7% | 153,000 | 0.7% |
| | 02449 Forest Resources-Forest Improv | 1,551,189 | 8.1% | 1,581,953 | 7.0% | 1,599,821 | 6.9% |
| | 02450 State Lands Res Dev | 496,124 | 2.6% | 507,503 | 2.2% | 525,769 | 2.3% |
| | 02681 Historic Right-Of-Way Acct | 5,000 | 0.0% | 5,000 | 0.0% | 5,000 | 0.0% |
| | 02836 Commercial Leases - Tlmd | - | - | 30,000 | 0.1% | 32,000 | 0.1% |
| | 02938 Tlmd - Administration | 3,667,532 | 19.2% | 4,029,213 | 17.7% | 4,165,208 | 17.9% |
| 03000 | Total Federal Special Funds | 1,301,207 | 6.8% | 1,570,203 | 6.9% | 1,609,233 | 6.9% |
| | 03068 Forest Resources-Fire | 759,071 | 4.0% | 997,282 | 4.4% | 1,017,917 | 4.4% |
| | 03069 Forest Resources - Pfa | 542,136 | 2.8% | 572,921 | 2.5% | 591,316 | 2.5% |
| Grand Total | | \$ 19,085,927 | 100.0% | \$ 22,712,959 | 100.0% | \$ 23,210,085 | 100.0% |

The Forestry Division is supported with a mix of general fund, state special revenue, and federal funding. General fund provides general division support as well as the fixed costs of the Fire and Aviation Management program. A transfer from the general fund is made to the proprietary fund, from which it is spent.

State special revenue from the sale of nursery stock and forest improvement fees is used to support the nursery. The land board approves the variable forest improvement fee when timber sales are approved based upon the state's projected costs of slash disposal, road maintenance, and reforestation. Fees consist of \$25 for each slash hazard reduction agreement, and \$.06 per thousand board feet sold, plus any forfeited fire hazard reduction bonds.

The department is also required to collect up to one-third of the state's fire protection appropriation from private landowners. The other two-thirds is funded with general fund and federal funds. The department is required to levy the tax so that collections equal the amount appropriated by the legislature.

The Trust Land Management division is funded with trust fund revenue, timber sales, and forest resource fees. The remaining funding is from recreational use and resource development of state lands. Because funding for state lands is taken directly from revenues, any expenditures for administration of state lands is a direct reduction in trust income. General fund is utilized for personal services for the management of non-trust state lands.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 1,720,709 | | | | | 1,738,420 |
| Vacancy Savings | | | | (549,553) | | | | | (550,264) |
| Inflation/Deflation | | | | (41,825) | | | | | (41,089) |
| Fixed Costs | | | | 87,857 | | | | | 118,728 |
| Total Statewide Present Law Adjustments | | | | \$1,217,188 | | | | | \$1,265,795 |
| DP 3502 - Fire Seasonal Pay Exception | | | | | | | | | |
| 0.00 | 0 | 66,000 | 134,000 | 200,000 | 0.00 | 0 | 66,000 | 134,000 | 200,000 |
| DP 3503 - Forestry Operating Adjustment | | | | | | | | | |
| 0.00 | 106,657 | 109,813 | 30,673 | 247,143 | 0.00 | 107,743 | 118,951 | 30,668 | 257,362 |
| DP 3506 - Build additional UH-1 Helicopter-OTO | | | | | | | | | |
| 0.00 | 200,000 | 0 | 0 | 200,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 3521 - Trust Land Management Operating Adjustment | | | | | | | | | |
| 0.00 | 0 | 11,544 | 0 | 11,544 | 0.00 | 0 | 14,183 | 0 | 14,183 |
| DP 3522 - Trust Lands Recreational Use | | | | | | | | | |
| 0.00 | 0 | 18,000 | 0 | 18,000 | 0.00 | 0 | 18,000 | 0 | 18,000 |
| DP 3523 - Trust Land Commercial Leasing | | | | | | | | | |
| 0.00 | 0 | 30,000 | 0 | 30,000 | 0.00 | 0 | 32,000 | 0 | 32,000 |
| DP 3524 - Trust Land Banking | | | | | | | | | |
| 0.00 | 0 | 153,000 | 0 | 153,000 | 0.00 | 0 | 153,000 | 0 | 153,000 |
| DP 3525 - Trust Land Road Maintenance | | | | | | | | | |
| 0.00 | 0 | 30,000 | 0 | 30,000 | 0.00 | 0 | 30,000 | 0 | 30,000 |
| DP 3526 - Trust Land Replacement Equipment-OTO | | | | | | | | | |
| 0.00 | 0 | 16,000 | 0 | 16,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 3527 - Forest Management Sustained Yield FTE | | | | | | | | | |
| 2.00 | 0 | 74,588 | 0 | 74,588 | 2.00 | 0 | 74,430 | 0 | 74,430 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 2.00 | \$306,657 | \$508,945 | \$164,673 | \$980,275 | 2.00 | \$107,743 | \$506,564 | \$164,668 | \$778,975 |
| Grand Total All Present Law Adjustments | | | | \$2,197,463 | | | | | \$2,044,770 |

DP 3502 - Fire Seasonal Pay Exception - The legislature approved a pay exception for DNRC seasonal fire fighters. This will grant the department the ability to offer a pay exception for seasonal firefighters to make a pay matrix similar to that of surrounding states with similar programs.

DP 3503 - Forestry Operating Adjustment - The legislature approved operations adjustments for rent and aircraft insurance for the department's Fire and Aviation Management program, maintenance and training needs associated with federal assist fires, increased operating costs within the nursery, for increased slash inspections associated with increased logging activity on state and private land funded through slash disposal fees, and for rent increases of state offices located outside of the Capitol Complex.

DP 3506 - Build additional UH-1 Helicopter-OTO - The legislature approved one-time-only general fund to build an additional UH-1 helicopter to increase the fire fighting capabilities of the state helicopter fleet.

DP 3521 - Trust Land Management Operating Adjustment - The legislature approved an operations adjustment for increased rent costs for non-state owned buildings in the Helena, Billings, and Miles City offices.

DP 3522 - Trust Lands Recreational Use - The legislature approved additional state special revenue authority for weed management and road maintenance. Revenues from recreational use fees will provide the funding.

DP 3523 - Trust Land Commercial Leasing - The legislature approved state special revenue for the future commercial and industrial development of state trust lands to increase revenue to the trust beneficiaries.

DP 3524 - Trust Land Banking - The legislature approved state special revenue to support the land bank program. Land banking provides the department the ability to sell and purchase parcels of state land to increase revenue generating capacity, divest trust holdings, reduce the number of isolated land parcels, increase efficiency in state land management, and protect the corpus of the trust.

DP 3525 - Trust Land Road Maintenance - The legislature approved state special revenue each year of the biennium in the forest improvement program to pay for increases in road maintenance and road use in the northwestern and southwestern land offices.

DP 3526 - Trust Land Replacement Equipment-OTO - The legislature approved one-time-only spending authority in FY 2006 for the replacement of the phone system at the Stillwater unit of the northwestern land office due to performance and service factors.

DP 3527 - Forest Management Sustained Yield FTE - The legislature approved funding to support 2.00 FTE to meet the workload of the increased annual sustainable yield on forested state lands. The 2003 legislature directed the department to conduct a sustained yield study, and the results of that study increased the annual sustainable yield for timber harvest on school trust land from 42 million board feet per year to 53 million board feet per year.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | Total Funds |
|--|-------------|--------------------|------------------|-----------------|--------------------|-------------|--------------------|------------------|-----------------|--------------------|
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | |
| DP 3504 - Interagency Fire Support | | | | | | | | | | |
| 35 | 0.00 | 21,108 | 11,609 | 2,463 | 35,180 | 0.00 | 21,108 | 11,609 | 2,463 | 35,180 |
| DP 3510 - Aviation Support | | | | | | | | | | |
| 35 | 0.00 | 257,965 | 0 | 0 | 257,965 | 0.00 | 257,965 | 0 | 0 | 257,965 |
| DP 3511 - County Co-op Support | | | | | | | | | | |
| 35 | 4.00 | 587,280 | 0 | 0 | 587,280 | 4.00 | 587,174 | 0 | 0 | 587,174 |
| DP 3512 - Increased Helicopter Capacity | | | | | | | | | | |
| 35 | 3.79 | 136,967 | 0 | 0 | 136,967 | 3.79 | 136,911 | 0 | 0 | 136,911 |
| DP 6010 - 2007 Biennium Pay Plan - IIB 447 | | | | | | | | | | |
| 35 | 0.00 | 189,485 | 199,780 | 22,909 | 412,174 | 0.00 | 491,068 | 520,990 | 60,100 | 1,072,158 |
| Total | 7.79 | \$1,192,805 | \$211,389 | \$25,372 | \$1,429,566 | 7.79 | \$1,494,226 | \$532,599 | \$62,563 | \$2,089,388 |

DP 3504 - Interagency Fire Support - The legislature approved funding to support interagency fire costs related to contract fire protection within the Flathead reservation and participation in the Northern Rockies Coordinating Group (NRCG) of which DNRC is a partner.

DP 3510 - Aviation Support - The legislature approved general fund for 5.11 FTE for the aviation program, 2.11 FTE to adequately staff the five division helicopters and 3.0 FTE to provide aviation mechanics for the nine department aircraft. This general fund will be transferred to the air operations proprietary fund.

DP 3511 - County Co-op Support - The legislature approved general fund for 4.00 FTE for rural fire coordination and mechanic support to engines and additional capital dollars to develop 15 type six engines. The FTE would restore reductions made in the 2002 special session and the additional capital would address the aging engines in the field.

DP 3512 - Increased Helitack Capacity - The legislature approved general fund for 3.79 FTE to provide full helitack crews for Helena, Kalispell, and Missoula direct protection land offices. These FTE translate into 3 permanent and 17 seasonal staff and related operating expenses.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The department shall establish a proprietary account for the operations of the state nursery program."

Proprietary Program Description

The air operations program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged to agencies that use the aircraft and general fund for fixed costs. The program operates four medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the legislature, and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include the department, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is deposited to the proprietary account.

Proprietary Revenues and Expenses

The cost drivers for the aircraft rates are the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wild fires on state and federal ground. This includes all costs associated with the maintenance and operation of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses. This includes unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance and fluctuations in fuel and parts, and length and severity of the fire season.

In FY 2004, non-typical expenditures of \$266,000 were incurred in the building of a new helicopter. A budget amendment was approved to provide \$150,000 in Jobs and Growth Tax Reconciliation and Relief Act funds to offset this expenditure. The balance (\$116,000) was covered with funds from the proprietary account.

Proprietary Rate Explanation

The reimbursement rates for the operation of the department aircraft are based on the time life of 5000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5000 hours, all parts will have been replaced and a new maintenance / operation cycle started. The customer base is very specific and is made up of department land managers and the U.S. Forest service. The aviation section provides aircraft for fire operations. The aviation section uses this reimbursement rate strictly to maintain the aircraft in flyable condition. The department maintains a high fund balance due to the high price of aircraft parts.

In addition, the FAA and the manufacturer can issue service and technical bulletins that mandate compliance to continue operation of that aircraft. The customer is billed at the fixed rate based on the amount of hours and tenths of hours flown. All costs are direct and fixed with no indirect costs associated with the rates.

The legislature approved the continuation of the 2005 biennium rates through the 2007 biennium.

Actual rates

| | |
|-------------------|-------------------|
| Bell UH-1H | \$875.00 per hour |
| Bell Jet Ranger | \$355.00 per hour |
| Cessna 180 series | \$ 95.00 per hour |

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 111.54 | 2.00 | 2.50 | 116.04 | 2.50 | 2.50 | 116.54 | 116.54 |
| Personal Services | 4,073,972 | 960,408 | 252,574 | 5,286,954 | 973,257 | 504,793 | 5,552,022 | 10,838,976 |
| Operating Expenses | 1,960,713 | 720,862 | 60,330 | 2,741,905 | 585,904 | 39,200 | 2,585,817 | 5,327,722 |
| Equipment | 156,990 | 155,280 | 100,000 | 412,270 | 127,663 | 0 | 284,653 | 696,923 |
| Grants | 3,097,778 | 4,377,893 | 0 | 7,475,671 | 870,198 | 0 | 3,967,976 | 11,443,647 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$9,289,453 | \$6,214,443 | \$412,904 | \$15,916,800 | \$2,557,022 | \$543,993 | \$12,390,468 | \$28,307,268 |
| General Fund | 598,135 | 15,772 | 240,148 | 854,055 | (22,986) | 133,292 | 708,441 | 1,562,496 |
| State/Other Special | 7,578,716 | 1,856,203 | 148,155 | 9,583,074 | 1,830,710 | 350,528 | 9,759,954 | 19,343,028 |
| Federal Special | 827,084 | 4,263,019 | 11,891 | 5,101,994 | 667,534 | 30,827 | 1,525,445 | 6,627,439 |
| Proprietary | 285,518 | 79,449 | 12,710 | 377,677 | 81,764 | 29,346 | 396,628 | 774,305 |
| Total Funds | \$9,289,453 | \$6,214,443 | \$412,904 | \$15,916,800 | \$2,557,022 | \$543,993 | \$12,390,468 | \$28,307,268 |

Agency Description

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, was established to encourage and promote the interests of agricultural and allied industries in Montana. To this end, the department:

- Strengthens and diversifies the Montana agriculture industry through private-public partnerships
- Collects and publishes agricultural production and marketing statistics relating to agricultural products
- Assists, encourages, and promotes the organization of farmers institutes, agricultural societies, fairs, and other exhibition of agriculture
- Adopts standards for grade and other classifications of farm products
- Coordinates the planning and maintenance of economical and efficient marketing distribution systems
- Gathers and distributes marketing information concerning supply, demand, price, and movement of farm products
- Regulates production and marketing of food and fiber products
- Registers pesticides and fertilizers and enforces laws pertaining to them

Agency Highlights

| Department of Agriculture Major Budget Highlights | |
|---|--|
| <p>Total funding increases of \$9.7 million over the FY 2004 base year are due to the following:</p> <ul style="list-style-type: none"> ◆ Statewide and other present law adjustments of \$8.2 million include: <ul style="list-style-type: none"> • The cooperative agreement with USFS in the 2007 biennium for noxious weed control (\$3.6 million) • Increases in grants to universities and professional societies for research and marketing activities (\$1.3 million) • Statewide present law adjustments (\$1.3 million) • State grain lab appropriation for potential increases in expenditures associated with more normal moisture levels, as base year expenditures reflect reduced activity caused by the extended drought conditions (\$515,126) | |

- ◆ New proposals of \$956,897 include:
 - The analytical lab in Bozeman received additional funding for new equipment and 2.50 FTE for expanded testing of bovine spongiform encephalopathy (\$338,334)
 - \$568,564 to implement HB 447 statewide pay plan
- ◆ The legislative budget includes an additional 4.50 FTE for the Organic Program and the EPA Homeland Security Program

Summary of Legislative Action

The legislature added 5.00 FTE and \$9.7 million over the FY 2004 base expenditures to the Department of Agriculture. Of the \$9.7 million in increases, general fund accounts for \$366,226, state special revenue for \$4.1 million, federal special revenue increases \$5.0 million, and proprietary for \$203,269.

The increases in general fund of \$366,226 consist of additional funding for the analytical lab in Bozeman for BSE testing of livestock feed in the amount of \$338,334 and \$35,106 for funding of HB 447, the statewide pay plan.

The additional increases for state special revenue are due to the following:

- Increased grants from the Wheat and Barley Committee for marketing activities (\$1.3 million)
- Funding of state wide present law adjustments (\$1.1 million)
- Anticipated increases in expenditures for the state grain lab of \$515,000
- HB 447, the statewide pay plan (\$453,303)
- Increases in noxious weed grants (\$232,000)
- Funding of state wide present law adjustments

The major increases in federal special revenue are the continuation of the USDA federal mitigation of noxious weed impacts of \$3.5 million and EPA homeland security grants of \$600,000.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | | |
|--|--------------|---------------|--------------|-------------|---------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Proprietary | Grand Total | Total % |
| 15 Central Management Division | \$ 319,516 | \$ 1,267,387 | \$ 180,000 | \$ 129,000 | \$ 1,895,903 | 6.70% |
| 30 Agricultural Sciences Div. | 541,016 | 10,482,959 | 6,220,637 | - | 17,244,612 | 60.92% |
| 50 Agricultural Development | 701,964 | 7,592,682 | 226,802 | 645,305 | 9,166,753 | 32.38% |
| Grand Total | \$ 1,562,496 | \$ 19,343,028 | \$ 6,627,439 | \$ 774,305 | \$ 28,307,268 | 100.00% |

Other Legislation

House Bill 170 – HB 170 changes the laws for fund transfers relating to certain vehicles taxes and fees. This bill will allow the Department of Agriculture to receive retroactive payments for transfers that could not legally be made during the 2005 biennium due to legal technicalities. It is estimated that revenues into the state special fund would be increased by \$147,546 in FY 2005.

House Bill 274 – HB 274 amends the Montana feed laws to set maximum and minimum licensing and registration fees. Feed licenses and product registration fees will increase by \$25.00 each year and the anticipated increase in state special revenue collections is \$98,125 annually.

House Bill 440 – HB 440 requires that the owner of an anhydrous ammonia tank place a lock on the storage tank. The purpose of the anhydrous ammonia tank lock program is to distribute high quality tank locks to retail vendors of

anhydrous ammonia to prevent theft of anhydrous ammonia for the purpose of making methamphetamine. The legislature appropriated \$80,000 for the biennium ending June 30, 2007 from the general fund to the Department of Agriculture to fund the purchase and distribution of anhydrous ammonia locks.

House Bill 482 – HB 482 increases the amount of coal severance tax revenues flowing into the “shared account” from 7.75 percent to 8.36 percent. The legislature approved \$77,921 in state special revenue funding for the Growth Through Agriculture Program to implement the provisions of HB 482.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 111.54 | 113.54 | 116.04 | 2.50 | 114.04 | 116.54 | 2.50 | |
| Personal Services | 4,073,972 | 5,034,380 | 5,286,954 | 252,574 | 5,047,229 | 5,552,022 | 504,793 | 757,367 |
| Operating Expenses | 1,960,713 | 2,706,575 | 2,741,905 | 35,330 | 2,571,617 | 2,585,817 | 14,200 | 49,530 |
| Equipment | 156,990 | 312,270 | 412,270 | 100,000 | 284,653 | 284,653 | 0 | 100,000 |
| Grants | 3,097,778 | 7,446,663 | 7,475,671 | 29,008 | 3,938,155 | 3,967,976 | 29,821 | 58,829 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$9,289,453 | \$15,499,888 | \$15,916,800 | \$416,912 | \$11,841,654 | \$12,390,468 | \$548,814 | \$965,726 |
| General Fund | 598,135 | 613,907 | 854,055 | 240,148 | 575,149 | 708,441 | 133,292 | 373,440 |
| State/Other Special | 7,578,716 | 9,428,601 | 9,583,074 | 154,473 | 9,402,295 | 9,759,954 | 357,659 | 512,132 |
| Federal Special | 827,084 | 5,090,103 | 5,101,994 | 11,891 | 1,494,618 | 1,525,445 | 30,827 | 42,718 |
| Proprietary | 285,518 | 367,277 | 377,677 | 10,400 | 369,592 | 396,628 | 27,036 | 37,436 |
| Total Funds | \$9,289,453 | \$15,499,888 | \$15,916,800 | \$416,912 | \$11,841,654 | \$12,390,468 | \$548,814 | \$965,726 |

The legislative budget is approximately \$966,000 higher than the executive proposal. General fund is increased by \$373,440 over the biennium. Major changes from the executive budget include the following:

- The legislature approved \$230,300 in FY 2006 and \$108,034 in FY 2007 of general fund for the analytical lab in Bozeman for operational costs and the purchase of lab equipment. The package adds 1.00 FTE and adjusts 4.00 FTE to full-time from part-time
- The legislature increased the executive proposal for Growth Through Agriculture funding from the coal severance tax shared state special revenue account by \$58,829 over the biennium
- The legislature passed HB 447, the state pay plan bill, which increased the following authority over the biennium: General fund – 35,106; state special revenue - \$453,303; federal special revenue - \$42,718; and proprietary funding - \$37,436

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 13.00 | 0.00 | 0.00 | 13.00 | 0.00 | 0.00 | 13.00 | 13.00 |
| Personal Services | 637,009 | 48,844 | 20,381 | 706,234 | 47,465 | 52,719 | 737,193 | 1,443,427 |
| Operating Expenses | 200,050 | 15,302 | 25,000 | 240,352 | (38,786) | 25,000 | 186,264 | 426,616 |
| Equipment | 7,930 | 5,000 | 0 | 12,930 | 5,000 | 0 | 12,930 | 25,860 |
| Total Costs | \$844,989 | \$69,146 | \$45,381 | \$959,516 | \$13,679 | \$77,719 | \$936,387 | \$1,895,903 |
| General Fund | 168,116 | 10,172 | 401 | 178,689 | (28,289) | 1,000 | 140,827 | 319,516 |
| State/Other Special | 528,913 | 57,243 | 40,839 | 626,995 | 41,809 | 69,670 | 640,392 | 1,267,387 |
| Federal Special | 91,979 | (1,979) | 0 | 90,000 | (1,979) | 0 | 90,000 | 180,000 |
| Proprietary | 55,981 | 3,710 | 4,141 | 63,832 | 2,138 | 7,049 | 65,168 | 129,000 |
| Total Funds | \$844,989 | \$69,146 | \$45,381 | \$959,516 | \$13,679 | \$77,719 | \$936,387 | \$1,895,903 |

Program Description

Central Management Division (CMD) performs technical, fiscal, and administrative support functions for the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, personnel, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, and legal support to all programs within the department. Included in this division is the director's office, which provides overall policy development for the department.

Program Highlights

| Central Management Division Major Budget Highlights | |
|--|---|
| ♦ | The approved budget includes increases for computer software upgrades, server upgrades, and continued development on electronic government applications according to the department's technology plan |
| ♦ | Other expenditures are primarily due to statewide present law adjustments and funding of the statewide pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Central Management Division | | | | | |
|-----------------|--------------------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 168,116 | 19.9% | \$ 178,689 | 18.6% | \$ 140,827 | 15.0% |
| | 01100 General Fund | 168,116 | 19.9% | 178,689 | 18.6% | 140,827 | 15.0% |
| 02000 | Total State Special Funds | 528,913 | 62.6% | 626,995 | 65.3% | 640,392 | 68.4% |
| | 02040 Wheat & Barley Research & Mktg | 93,721 | 11.1% | 122,818 | 12.8% | 125,301 | 13.4% |
| | 02068 Noxious Weed Admin Account | 82,550 | 9.8% | 79,288 | 8.3% | 82,226 | 8.8% |
| | 02071 Anhydrous Ammonia Account | 1,210 | 0.1% | 901 | 0.1% | 878 | 0.1% |
| | 02192 Pesticide Groundwater Account | 91,102 | 10.8% | 112,375 | 11.7% | 114,791 | 12.3% |
| | 02193 Pesticide Account | 159,615 | 18.9% | 118,783 | 12.4% | 121,367 | 13.0% |
| | 02198 Fert. Groundwater Account | 2,986 | 0.4% | 3,310 | 0.3% | 3,227 | 0.3% |
| | 02265 Fsi Produce | - | - | 26,071 | 2.7% | 26,724 | 2.9% |
| | 02266 Commodity Dealer/Warehouse | 9,153 | 1.1% | 8,247 | 0.9% | 8,369 | 0.9% |
| | 02267 Nursery Account | 14,637 | 1.7% | 16,100 | 1.7% | 16,338 | 1.7% |
| | 02268 Produce Account | 25,837 | 3.1% | 75,026 | 7.8% | 76,744 | 8.2% |
| | 02269 Seed Account | 1,775 | 0.2% | 10,438 | 1.1% | 10,504 | 1.1% |
| | 02341 Weed Seed Free Forage Account | 3,732 | 0.4% | - | - | - | - |
| | 02452 Commercial Fertilizer | 17,492 | 2.1% | 19,167 | 2.0% | 18,682 | 2.0% |
| | 02454 Commercial Feed | 25,103 | 3.0% | 27,218 | 2.8% | 27,842 | 3.0% |
| | 02792 Apiary Account | - | - | 7,253 | 0.8% | 7,399 | 0.8% |
| 03000 | Total Federal Special Funds | 91,979 | 10.9% | 90,000 | 9.4% | 90,000 | 9.6% |
| | 03120 Agriculture Cmd Federal | 91,979 | 10.9% | 90,000 | 9.4% | 90,000 | 9.6% |
| 06000 | Total Proprietary Funds | 55,981 | 6.6% | 63,832 | 6.7% | 65,168 | 7.0% |
| | 06052 Hail Insurance | 55,981 | 6.6% | 63,832 | 6.7% | 65,168 | 7.0% |
| Grand Total | | \$ 844,989 | 100.0% | \$ 959,516 | 100.0% | \$ 936,387 | 100.0% |

The Central Management Division (CMD) is funded with a mixture of general fund, state and federal special revenue, and proprietary funds, through assessments on the programs it supports. State and federal special revenues and proprietary funded programs are assessed 20 percent of personal services and 2.5 percent of grants in order to compensate CMD for its services. General fund is used to account for any differences between the assessed amounts on the two functional divisions and the amount requested in the budget for CMD.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 77,423 | | | | | 75,986 |
| Vacancy Savings | | | | (28,579) | | | | | (28,521) |
| Inflation/Deflation | | | | (140) | | | | | (135) |
| Fixed Costs | | | | (15,596) | | | | | (53,651) |
| Total Statewide Present Law Adjustments | | | | \$33,108 | | | | | (\$6,321) |
| DP 1502 - Microsoft Office Licensing-OTO | | | | | | | | | |
| 0.00 | 0 | 14,556 | 0 | 16,038* | 0.00 | 0 | 0 | 0 | 0 |
| DP 1504 - Operations & Equipment | | | | | | | | | |
| 0.00 | 5,000 | 13,615 | 0 | 20,000* | 0.00 | 5,000 | 13,615 | 0 | 20,000* |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$5,000 | \$28,171 | \$0 | \$36,038* | 0.00 | \$5,000 | \$13,615 | \$0 | \$20,000* |
| Grand Total All Present Law Adjustments | | | | \$69,146* | | | | | \$13,679* |

DP 1502 - Microsoft Office Licensing-OTO - The legislature approved additional state special revenue and proprietary funding of \$16,038 in FY 2006 to purchase Microsoft Office Access and Publisher software licenses. This appropriation would pay for 50 licenses.

DP 1504 - Operations & Equipment - The legislature approved additional general fund, state special revenue, and proprietary fund authority for the following:

- o Increase in travel (\$20,000 over biennium)
- o Education and training (\$10,000 over biennium)
- o Server upgrade (\$10,000 over biennium)

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1503 - Electronic Government | | | | | | | | | | |
| 15 | 0.00 | 0 | 22,690 | 0 | 25,000* | 0.00 | 0 | 22,690 | 0 | 25,000* |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 15 | 0.00 | 401 | 18,149 | 0 | 20,381* | 0.00 | 1,000 | 46,980 | 0 | 52,719* |
| Total | 0.00 | \$401 | \$40,839 | \$0 | \$45,381* | 0.00 | \$1,000 | \$69,670 | \$0 | \$77,719* |

DP 1503 - Electronic Government - The legislature approved a request for state special revenue and proprietary funding authority to continue working on developing electronic government applications according to the department's comprehensive technology plan. The applications are for crop hail insurance and other agriculture related services such as beekeeper registration, feed and fertilizer, organic, grain, and pesticide. Funding is derived from a proportional assessment on all state special revenue funds in the department, including wheat and barley, noxious weed, pesticide and pesticide groundwater, and several others.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 59.16 | 2.00 | 2.50 | 63.66 | 2.50 | 2.50 | 64.16 | 64.16 |
| Personal Services | 2,342,375 | 348,623 | 181,329 | 2,872,327 | 365,340 | 319,360 | 3,027,075 | 5,899,402 |
| Operating Expenses | 836,479 | 552,309 | 35,330 | 1,424,118 | 441,360 | 14,200 | 1,292,039 | 2,716,157 |
| Equipment | 137,865 | 77,117 | 100,000 | 314,982 | 69,000 | 0 | 206,865 | 521,847 |
| Grants | 2,097,603 | 3,706,000 | 0 | 5,803,603 | 206,000 | 0 | 2,303,603 | 8,107,206 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$5,414,322 | \$4,684,049 | \$316,659 | \$10,415,030 | \$1,081,700 | \$333,560 | \$6,829,582 | \$17,244,612 |
| General Fund | 101,341 | 0 | 230,300 | 331,641 | 0 | 108,034 | 209,375 | 541,016 |
| State/Other Special | 4,591,277 | 519,051 | 74,468 | 5,184,796 | 512,187 | 194,699 | 5,298,163 | 10,482,959 |
| Federal Special | 721,704 | 4,164,998 | 11,891 | 4,898,593 | 569,513 | 30,827 | 1,322,044 | 6,220,637 |
| Proprietary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$5,414,322 | \$4,684,049 | \$316,659 | \$10,415,030 | \$1,081,700 | \$333,560 | \$6,829,582 | \$17,244,612 |

Program Description

The Agricultural Sciences Division (ASD) administers, manages, coordinates, and evaluates the major activities of: 1) pesticide and pest management; 2) analytical laboratory services; 3) noxious weed management; 4) agricultural chemical groundwater management; and 5) vertebrate pest management. This program administers the Montana Pesticides Act, Agricultural Chemical Groundwater Protection Act, Crop Insect Detection Act, Vertebrate Pest Management Act, Noxious Weed Trust Fund Act, elements of the Weed Assistance Act, and the department's Chemical Analytical Laboratory. Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed in the state.

Program Highlights

| Agriculture Science Division Major Budget Highlights | |
|---|---|
| ♦ | The legislature approved continuance of the Cooperative Forestry Assistance Program with the US Forest Service for the 2007 biennium in the amount of \$3,580,000 |
| ♦ | The analytical lab in Bozeman received additional funding for new equipment and 2.50 FTE for expanded testing of bovine spongiform encephalopathy (BSE) |
| ♦ | The legislative budget includes an additional 2.0 FTE for the Organic Program and the EPA Homeland Security Program |
| ♦ | Other expenditures are primarily due to statewide present law adjustments, funding of the statewide pay plan, and increases in federal funds |

Funding
The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|----------------------------|-------------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Agricultural Sciences Div. | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 101,341 | 1.9% | \$ 331,641 | 3.2% | \$ 209,375 | 3.1% |
| | 01100 General Fund | 101,341 | 1.9% | 331,641 | 3.2% | 209,375 | 3.1% |
| 02000 | Total State Special Funds | 4,591,277 | 84.8% | 5,184,796 | 49.8% | 5,298,163 | 77.6% |
| | 02037 Mint Committee | 14,656 | 0.3% | 17,425 | 0.2% | 17,426 | 0.3% |
| | 02068 Noxious Weed Admin Account | 1,978,536 | 36.5% | 2,121,145 | 20.4% | 2,129,026 | 31.2% |
| | 02071 Anhydrous Ammonia Account | 17,448 | 0.3% | 12,142 | 0.1% | 12,432 | 0.2% |
| | 02072 Manuals & Training Account | 12,013 | 0.2% | 17,740 | 0.2% | 17,741 | 0.3% |
| | 02192 Pesticide Groundwater Account | 510,703 | 9.4% | 761,635 | 7.3% | 788,675 | 11.5% |
| | 02193 Pesticide Account | 932,447 | 17.2% | 876,491 | 8.4% | 888,293 | 13.0% |
| | 02198 Fert. Groundwater Account | 17,571 | 0.3% | 19,076 | 0.2% | 19,649 | 0.3% |
| | 02264 Organic Certification | 34,901 | 0.6% | 129,105 | 1.2% | 157,767 | 2.3% |
| | 02265 Fsi Produce | 152,555 | 2.8% | 194,790 | 1.9% | 198,804 | 2.9% |
| | 02266 Commodity Dealer/Warehouse | 89,360 | 1.7% | 61,243 | 0.6% | 63,117 | 0.9% |
| | 02267 Nursery Account | 78,594 | 1.5% | 95,600 | 0.9% | 99,261 | 1.5% |
| | 02268 Produce Account | 200,371 | 3.7% | 329,953 | 3.2% | 342,864 | 5.0% |
| | 02269 Seed Account | 59,519 | 1.1% | 59,367 | 0.6% | 61,745 | 0.9% |
| | 02341 Weed Seed Free Forage Account | 35,641 | 0.7% | 27,176 | 0.3% | 27,178 | 0.4% |
| | 02452 Commercial Fertilizer | 189,168 | 3.5% | 194,597 | 1.9% | 198,721 | 2.9% |
| | 02454 Commercial Feed | 214,485 | 4.0% | 211,029 | 2.0% | 217,475 | 3.2% |
| | 02792 Apiary Account | 53,309 | 1.0% | 56,282 | 0.5% | 57,989 | 0.8% |
| 03000 | Total Federal Special Funds | 721,704 | 13.3% | 4,898,593 | 47.0% | 1,322,044 | 19.4% |
| | 03118 Agriculture Asd Federal | 721,704 | 13.3% | 4,898,593 | 47.0% | 1,322,044 | 19.4% |
| Grand Total | | \$ 5,414,322 | 100.0% | \$ 10,415,030 | 100.0% | \$ 6,829,582 | 100.0% |

General fund is used to mitigate the impact of noxious weeds on lands other than through the Department of Fish, Wildlife, and Parks and to supplement the analytical lab in Bozeman for the testing of livestock feed containing animal ruminants.

State special revenue is derived from several sources. The largest is for controlling noxious weeds. Revenues collected from the \$1.50 noxious weed vehicle registration fees and the \$185 per product pesticide registration fees are allocated as follows: \$95 to the groundwater revenue account and \$90 to the pesticide management revenue account. The pesticide management account also receives revenue from pesticide dealers and commercial, governmental, and farm application fees. Other state special revenues come from commercial feed and fertilizer registration and inspection fees. These fees include mint assessments, anhydrous ammonia and commodity inspection, testing and license fees, and commercial dealer and public-warehouse operator license fees.

The department entered into a cooperative agreement with the US Forest Service (USFS) in the 2005 biennium for federal mitigation of noxious weed impacts of \$3,580,000. Federal special revenue are also received from the market services account, which funds bovine spongeiform and encephalitis (BSE/Mad Cow Disease) inspections, as well as portions of the pesticide and ground water programs supported by the Environmental Protection Agency (EPA) and pest detection program supported by the US Department of Agriculture (USDA).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|------------------|--------------------|--------------------|--------------|---------------|------------------|--------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 352,537 | | | | | 351,694 |
| Vacancy Savings | | | | (107,792) | | | | | (107,763) |
| Inflation/Deflation | | | | (6,849) | | | | | (6,844) |
| Fixed Costs | | | | 23,580 | | | | | 23,780 |
| Total Statewide Present Law Adjustments | | | | \$261,476 | | | | | \$260,867 |
| DP 3001 - USDA Federal Mitigation of Noxious Weed Impacts | 0.00 | 0 | 0 | 3,580,000 | 3,580,000 | 0.00 | 0 | 0 | 0 |
| DP 3002 - Pesticide Base Budget Adjustments | 0.00 | 0 | 92,336 | 102,500 | 194,836 | 0.00 | 0 | 68,958 | 102,500 |
| DP 3003 - Organic Program | 0.50 | 0 | 48,792 | 110,000 | 158,792 | 1.00 | 0 | 55,482 | 110,000 |
| DP 3005 - EPA Homeland Security-OTO | 1.50 | 0 | 0 | 294,490 | 294,490 | 1.50 | 0 | 0 | 294,438 |
| DP 3010 - Produce Base Budget Adjustments | 0.00 | 0 | 0 | 5,080 | 5,080 | 0.00 | 0 | 0 | 5,080 |
| DP 3011 - Feed and Fertilizer Base Budget Adjustments | 0.00 | 0 | 12,000 | 0 | 12,000 | 0.00 | 0 | 7,000 | 0 |
| DP 3012 - Mint Committee Base Budget Adjustments | 0.00 | 0 | 2,890 | 0 | 2,890 | 0.00 | 0 | 2,890 | 0 |
| DP 3013 - Noxious Weed Admin Base Budget Adjustments | 0.00 | 0 | 116,000 | 0 | 116,000 | 0.00 | 0 | 116,000 | 0 |
| DP 3014 - Groundwater Base Budget Adjustments-OTO | 0.00 | 0 | 23,277 | 0 | 23,277 | 0.00 | 0 | 23,277 | 0 |
| DP 3015 - Caps Base Budget Adjustments | 0.00 | 0 | 0 | 35,208 | 35,208 | 0.00 | 0 | 0 | 35,208 |
| Total Other Present Law Adjustments | 2.00 | \$0 | \$295,295 | \$4,127,278 | \$4,422,573 | 2.50 | \$0 | \$273,607 | \$547,226 |
| Grand Total All Present Law Adjustments | | | | \$4,684,049 | | | | | \$1,081,700 |

DP 3001 - USDA Federal Mitigation of Noxious Weed Impacts - The legislature approved continuance of the Cooperative Forestry Assistance Program with the US Forest Service for the 2007 biennium. Funding is from federal special revenue.

DP 3002 - Pesticide Base Budget Adjustments - The legislature approved additional state special revenue for the following general adjustments: 1) \$43,117 for two trucks; 2) office rent of \$10,791; 3) \$14,238 for additional travel; 4) laboratory equipment of \$50,000; 5) consultants and professional fees of \$203,022; and 6) \$45,126 for miscellaneous operating expenses. The federal fund increases of \$102,500 a year are for federal discretionary grants that the division will apply for when they become available.

DP 3003 - Organic Program - The legislature approved additional federal special revenue and state special revenue for program costs as well as 0.50 FTE in FY 2006 and 1.00 FTE in FY 2007. The program is self-supporting with organic certification revenues.

DP 3005 - EPA Homeland Security-OTO - The legislature approved additional federal special revenue in anticipation of EPA discretionary funds becoming available for security procedures on agricultural chemicals, and special pesticide programs involving training, enforcement, worker protection, endangered species, and ground water protection. Also included is 1.50 FTE to manage and provide support for the program.

DP 3010 - Produce Base Budget Adjustments - The legislature approved adjusting the produce base to fully appropriate the funds anticipated from the USDA. Funding is from federal special revenue and would be used for miscellaneous operating and travel expenses.

DP 3011 - Feed and Fertilizer Base Budget Adjustments - The legislature approved additional appropriations from feed and fertilizer funds for maintenance contracts for updated equipment purchased in FY 2004 in the amount of \$14,000 and the purchase of a vehicle for \$5,000. Funding is equally from the commercial fertilizer fund and the commercial feed fund.

DP 3012 - Mint Committee Base Budget Adjustments - The legislature approved restoring per diem, travel, meeting expenses, program supplies, and contracted services for research on mint production and management of pests and weeds for the Mint Committee. Funding is from the mint committee fund.

DP 3013 - Noxious Weed Admin Base Budget Adjustments - The legislature approved an increase in noxious weed administration funds of \$103,800 per year for: 1) issuing grants of \$100,000 a year to local counties for fighting noxious weeds in Montana; 2) per diem restoration for the weed council members of \$2,200 a year; and 3) anticipated increased travel costs for the board of \$1,600 a year. The legislature also approved an increase in the weed seed free forage account of \$12,200 a year for purchasing twine, tags, and seals.

DP 3014 - Groundwater Base Budget Adjustments-OTO - The legislature approved an increase for the purchase of two replacement trucks for \$20,000 each, and additional travel for \$1,027. The legislature also approved an additional appropriation to fund maintenance contracts for updated equipment purchased in FY 2004 for the lab in Bozeman for \$2,250. Funding is from the pesticide groundwater fund.

DP 3015 - Caps Base Budget Adjustments - The legislature approved additional federal special revenue authority of \$35,208 per year for increased program and travel expenditures.

New Proposals

| New Proposals | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------|------|--------------|---------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 519 - Analytical Lab Cost Adjustments | | | | | | | | | | |
| 30 | 2.50 | 230,300 | 0 | 0 | 230,300 | 2.50 | 108,034 | 0 | 0 | 108,034 |
| DP 6010 - 2007 Biennium Pay Plan - HIB 447 | | | | | | | | | | |
| 30 | 0.00 | 0 | 74,468 | 11,891 | 86,359 | 0.00 | 0 | 194,699 | 30,827 | 225,526 |
| Total | 2.50 | \$230,300 | \$74,468 | \$11,891 | \$316,659* | 2.50 | \$108,034 | \$194,699 | \$30,827 | \$333,560* |

DP 519 - Analytical Lab Cost Adjustments - The legislature approved \$230,300 in FY 2006 and \$108,034 in FY 2007 of general fund for the analytical lab in Bozeman. This funding pays for operational costs of \$49,530 and purchase of a PCR piece of equipment for \$100,000. The addition also includes 1.00 FTE and adjusts 4.00 FTE to full-time from part-time, for a cost of \$188,804.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB 2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*, however his authority to do so is questioned and may be challenged through legal action

“The department shall present a report to the joint subcommittee on natural resources of the 2007 legislative session that compares the cost of leasing a vehicle from the department of transportation to purchasing a vehicle.”

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 39.38 | 0.00 | 0.00 | 39.38 | 0.00 | 0.00 | 39.38 | 39.38 |
| Personal Services | 1,094,588 | 562,941 | 50,864 | 1,708,393 | 560,452 | 132,714 | 1,787,754 | 3,496,147 |
| Operating Expenses | 924,184 | 153,251 | 0 | 1,077,435 | 183,330 | 0 | 1,107,514 | 2,184,949 |
| Equipment | 11,195 | 73,163 | 0 | 84,358 | 53,663 | 0 | 64,858 | 149,216 |
| Grants | 1,000,175 | 671,893 | 0 | 1,672,068 | 664,198 | 0 | 1,664,373 | 3,336,441 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$3,030,142 | \$1,461,248 | \$50,864 | \$4,542,254 | \$1,461,643 | \$132,714 | \$4,624,499 | \$9,166,753 |
| General Fund | 328,678 | 5,600 | 9,447 | 343,725 | 5,303 | 24,258 | 358,239 | 701,964 |
| State/Other Special | 2,458,526 | 1,279,909 | 32,848 | 3,771,283 | 1,276,714 | 86,159 | 3,821,399 | 7,592,682 |
| Federal Special | 13,401 | 100,000 | 0 | 113,401 | 100,000 | 0 | 113,401 | 226,802 |
| Proprietary | 229,537 | 75,739 | 8,569 | 313,845 | 79,626 | 22,297 | 331,460 | 645,305 |
| Total Funds | \$3,030,142 | \$1,461,248 | \$50,864 | \$4,542,254 | \$1,461,643 | \$132,714 | \$4,624,499 | \$9,166,753 |

Program Description

The Agricultural Development Division administers programs to promote Montana agriculture through market development and enhancement. Assistance is given toward commercialization of traditional as well as innovative agricultural products and processes. The program provides support to the Alfalfa Seed Committee, the Montana Wheat and Barley Committee, the Montana Agricultural Development Council, and the Board of Hail Insurance. The division is comprised of the following Bureaus: Rural Development, Wheat and Barley, Agriculture Marketing & Business Development and State Grain Laboratory. The State Grain Laboratory provides grades, protein determinations, malting barley germination, and falling number tests for contract settlement prices between buyers and sellers of grain crops in Montana.

Program Highlights

| Department of Major Budget Highlights | |
|--|--|
| ♦ | The legislature approved additional grants to universities and professional societies in the amount of \$1,300,585 over the biennium for increases in research and marketing activities |
| ♦ | The state grain lab is funded for potential costs associated with more normal moisture levels, as base year expenditures reflect reduced activity caused by the extended drought conditions throughout the state |
| ♦ | Other expenditures are primarily due to statewide present law adjustments, funding of the statewide pay plan, and increases in federal funds |
| ♦ | The legislature approved \$77,921 in state special revenue funding for the Coal Board in grants appropriation to implement the provisions of HB 482 |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Agricultural Development | | | | | |
|-----------------|--------------------------------------|---|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 328,678 | 10.8% | \$ 343,725 | 7.6% | \$ 358,239 | 7.7% |
| | 01100 General Fund | 328,678 | 10.8% | 343,725 | 7.6% | 358,239 | 7.7% |
| 02000 | Total State Special Funds | 2,458,526 | 81.1% | 3,771,283 | 83.0% | 3,821,399 | 82.6% |
| | 02040 Wheat & Barley Research & Mktg | 1,588,218 | 52.4% | 2,273,995 | 50.1% | 2,283,910 | 49.4% |
| | 02066 Agriculture In Mt Schools Act. | 10,500 | 0.3% | 10,500 | 0.2% | 10,500 | 0.2% |
| | 02268 Produce Account | 32 | 0.0% | 5,000 | 0.1% | 5,000 | 0.1% |
| | 02340 Coal Sev. Tax Shared Ssr | 444,974 | 14.7% | 508,872 | 11.2% | 513,520 | 11.1% |
| | 02453 Grain Services | 407,699 | 13.5% | 966,156 | 21.3% | 1,001,708 | 21.7% |
| | 02461 Alfalfa Seed Assessment | 6,951 | 0.2% | 6,608 | 0.1% | 6,609 | 0.1% |
| | 02466 Misc Ag Donations | 152 | 0.0% | 152 | 0.0% | 152 | 0.0% |
| 03000 | Total Federal Special Funds | 13,401 | 0.4% | 113,401 | 2.5% | 113,401 | 2.5% |
| | 03225 Agriculture Add Federal | 13,401 | 0.4% | 113,401 | 2.5% | 113,401 | 2.5% |
| 06000 | Total Proprietary Funds | 229,537 | 7.6% | 313,845 | 6.9% | 331,460 | 7.2% |
| | 06052 Hail Insurance | 229,537 | 7.6% | 313,845 | 6.9% | 331,460 | 7.2% |
| Grand Total | | <u>\$ 3,030,142</u> | <u>100.0%</u> | <u>\$ 4,542,254</u> | <u>100.0%</u> | <u>\$ 4,624,499</u> | <u>100.0%</u> |

Eight percent of the Agricultural Development Division's funding is general fund, which supports administration, agricultural markets, and agriculture statistic functions.

Non-general fund provides 89 percent of the Agricultural Development Division funding. State special revenue consists of wheat and barley sales taxes, coal severance tax collections, grain testing fees, alfalfa seed assessments, private donations, income tax checkoffs for Agriculture in Montana Schools, and interest earnings. The Growth Through Agriculture (GTA) Program receives a share of 8.36 percent of coal severance tax collections to fund grants and operations of the Agriculture Development Council for the Montana Growth Through Agriculture Act.

Federal special revenue accounts for three percent of total funds and is used for investments or loans in projects that stimulate agriculture development and diversification in Montana.

Proprietary funds are from Hail Insurance and expendable trust funds are from the Rural Development and Rehabilitation Program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|----------------|------------------|---------------------|-------------|----------------|------------------|------------------|---------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 418,463 | | | | | 415,868 |
| Vacancy Savings | | | | (60,522) | | | | | (60,416) |
| Inflation/Deflation | | | | (6,327) | | | | | (6,505) |
| Fixed Costs | | | | 13,110 | | | | | 13,367 |
| Total Statewide Present Law Adjustments | | | | \$364,724 | | | | | \$362,314 |
| DP 5001 - Montana Agricultural Statistics Service GF Appropriation | 0.00 | 5,000 | 0 | 5,000 | 0.00 | 5,000 | 0 | 0 | 5,000 |
| DP 5002 - Mt Agricultural Statistics-Alternative Crop Survey | 0.00 | 0 | 4,968 | 4,968 | 0.00 | 0 | 4,968 | 0 | 4,968 |
| DP 5003 - State Grain Lab Bureau Base Adjustment | 0.00 | 0 | 258,463 | 258,463 | 0.00 | 0 | 256,663 | 0 | 256,663 |
| DP 5004 - Montana State Hail Insurance Program. Base Adjustment | 0.00 | 0 | 0 | 15,000* | 0.00 | 0 | 0 | 0 | 18,500* |
| DP 5005 - Wheat & Barley Bureau Base Adjustment | 0.00 | 0 | 650,146 | 650,146 | 0.00 | 0 | 650,439 | 0 | 650,439 |
| DP 5009 - Federal Marketing Appropriation Authority | 0.00 | 0 | 100,000 | 100,000 | 0.00 | 0 | 0 | 100,000 | 100,000 |
| DP 5020 - Montana Agriculture Development Council Grants | 0.00 | 0 | 62,947 | 62,947 | 0.00 | 0 | 63,759 | 0 | 63,759 |
| Total Other Present Law Adjustments | 0.00 | \$5,000 | \$976,524 | \$1,096,524* | 0.00 | \$5,000 | \$975,829 | \$100,000 | \$1,099,329* |
| Grand Total All Present Law Adjustments | | | | \$1,461,248* | | | | | \$1,461,643* |

DP 5001 - Montana Agricultural Statistics Service GF Appropriation - The legislature approved \$5,000 of general fund each year for personal services in the Montana Agriculture Statistics Program. This program collects and publishes statistics relating to production and marketing of crops.

DP 5002 - Mt Agricultural Statistics-Alternative Crop Survey - The legislature approved state special revenue authority each year for printing and program costs.

DP 5003 - State Grain Lab Bureau Base Adjustment - The legislature approved additional state special revenue authority for anticipated or potential expenditures: 1) personnel services of about \$200,000 each year; and 2) \$114,000 over the biennium for the purchase of lab equipment.

DP 5004 - Montana State Hail Insurance Program Base Adjustment - The legislature approved an increase in proprietary funding from the Hail Insurance fund of \$33,500 over the biennium for anticipated expenditures for increased travel costs of hail claims adjusters.

DP 5005 - Wheat & Barley Bureau Base Adjustment - The legislature approved an increase of approximately \$650,000 each year for grants to professional societies and universities. The funding is from the wheat and barley committee and is mainly used for marketing and research activities.

DP 5009 - Federal Marketing Appropriation Authority - The legislature approved additional federal special revenue authority of \$100,000 each fiscal year for investments or loans in projects that stimulate agriculture development and diversification in Montana.

DP 5020 - Montana Agriculture Development Council Grants - The legislature approved additional state special revenue authority for investments and agricultural development projects in Montana. The Montana Agriculture Development Council may make investments in projects that have the ability to increase agricultural development and diversification in Montana. Funding is from the coal tax shared account.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|-----------------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| Program | FTE | -----Fiscal 2006----- | | | | -----Fiscal 2007----- | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 50 | 0.00 | 9,447 | 32,848 | 0 | 50,864* | 0.00 | 24,258 | 86,159 | 0 | 132,714* |
| Total | 0.00 | \$9,447 | \$32,848 | \$0 | \$50,864* | 0.00 | \$24,258 | \$86,159 | \$0 | \$132,714* |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 47.00 | (2.34) | 2.00 | 46.66 | (2.34) | 2.00 | 46.66 | 46.66 |
| Personal Services | 2,091,891 | 134,580 | 164,001 | 2,390,472 | 135,005 | 272,909 | 2,499,805 | 4,890,277 |
| Operating Expenses | 2,253,689 | 851,113 | 270,000 | 3,374,802 | 808,807 | 70,000 | 3,132,496 | 6,507,298 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 15,130,854 | 4,123,845 | 460,247 | 19,714,946 | 2,703,068 | 460,507 | 18,294,429 | 38,009,375 |
| Benefits & Claims | 210,496 | 264,504 | 0 | 475,000 | 264,504 | 0 | 475,000 | 950,000 |
| Total Costs | \$19,686,930 | \$5,374,042 | \$894,248 | \$25,955,220 | \$3,911,384 | \$803,416 | \$24,401,730 | \$50,356,950 |
| General Fund | 1,565,311 | 1,860,216 | 539,260 | 3,964,787 | 1,859,598 | 600,431 | 4,025,340 | 7,990,127 |
| State/Other Special | 1,622,888 | 1,914,886 | 138,786 | 3,676,560 | 220,921 | 160,921 | 2,004,730 | 5,681,290 |
| Federal Special | 16,498,731 | 1,598,940 | 216,202 | 18,313,873 | 1,830,865 | 42,064 | 18,371,660 | 36,685,533 |
| Total Funds | \$19,686,930 | \$5,374,042 | \$894,248 | \$25,955,220 | \$3,911,384 | \$803,416 | \$24,401,730 | \$50,356,950 |

Agency Description

The Department of Commerce is responsible for working with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base through business creation, expansion, and retention and improvement of Montana's infrastructure, housing, and facilities. The department is composed of eight major divisions, which include the Business Resources, Montana Promotion, Community Development, Housing, and Director's Office/Management Services divisions, as well as the Board of Research and Commercialization Technology, the Montana Facility Finance Authority, the Montana Board of Investments, and the Montana Heritage Commission.

Agency Highlights

| Department of Commerce Major Budget Highlights | |
|--|--|
| Total funding increases of \$11.0 million or 27 percent over the FY 2004 base year are due to the following: | |
| ◆ | Statewide and other present law adjustments of \$9.3 million include: |
| • | Grant increases and administrative cost adjustments (\$4.4 million) |
| • | Transferring of the Worker Training Program from the Governors' office of Economic Opportunity (\$2.8 million) |
| • | Expanding the Made in Montana Program (\$800,000) |
| • | Increases in private donations for national advertising and promotion of Travel Montana (\$584,110) |
| • | Statewide present law adjustments (\$498,258) |
| • | Realigning the Developmental Disabilities Planning and Advisory Council (\$134,755) |
| ◆ | New proposals of \$1.7 million include: |
| • | \$1.0 million for Indian Country Economic Development Program |
| • | \$250,000 to implement the Main Street Program |
| • | \$247,644 to implement HB 447 statewide pay plan |
| • | \$200,000 for small business innovation research grants |

Summary of Legislative Action

Economic development and expanding the economy in the state of Montana was the primary driving force for funding increases in the 2007 biennium budget approved by the legislature. Of the \$11.0 million in increases over the 2004 base expenditures, general fund comprises 44 percent or \$4.9 million of the increase and state special accounts for \$2.4 million or 22 percent of the overall increases, leaving federal special revenue with an increase of 34 percent or \$3.7 million over the biennium.

The \$4.9 million increase in general fund is primarily due to the Worker Training Program being transferred from the Governors' Office of Economic Opportunity to the Department of Commerce and switching the funding source from the INTERCAP loan program to a general fund appropriation of \$2.8 million over the biennium, which will implement HB 270. The other two major increases in general fund were comprised of expanding funding for the Made in Montana Program of \$800,000 and the new Indian Economic Development Program of \$1.0 million.

The additional appropriation for state special revenue consisted mainly of restoring the base for the coal board grants from the coal severance tax shared account of \$1.0 million for the biennium. The remaining increases are primarily due to administrative cost adjustments across the agency.

Federal special revenue increases consisted mainly of increases in CBDG grants of \$3.0 million over the biennium.

For further discussion of economic development adopted by the 2005 legislature see Volume 1 of the Legislative Fiscal Report for the 2007 biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|--------------|--------------|---------------|---------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 51 Business Resources Division | \$ 7,528,784 | \$ 719,981 | \$ 7,819,383 | \$ 16,068,148 | 31.91% |
| 52 Montana Promotion Division | - | 1,519,386 | - | 1,519,386 | 3.02% |
| 60 Community Development Division | 461,343 | 3,441,923 | 15,870,376 | 19,773,642 | 39.27% |
| 74 Housing Division | - | - | 12,043,527 | 12,043,527 | 23.92% |
| 81 Director/Management Services | - | - | 952,247 | 952,247 | 1.89% |
| Grand Total | \$ 7,990,127 | \$ 5,681,290 | \$ 36,685,533 | \$ 50,356,950 | 100.00% |

Other Legislation

House Bill 11 – HB 11 appropriated \$16.2 million in state special revenue to the Treasure State Endowment program (TSEP) to finance infrastructure grants for 40 projects throughout the state. In addition, the legislature also appropriated state special revenue of \$100,000 for emergency grants, and \$600,000 for preliminary engineering studies.

House Bill 249 – HB 249 establishes the big sky economic development fund, a sub fund within the permanent coal severance tax trust with an initial infusion of \$20 million. Through June 30, 2025, 25 percent of the coal severance tax revenues to the permanent coal severance tax trust not required for other purposes would be deposited in the big sky economic development fund.

Interest generated from the fund will be transferred on a monthly basis to a state special revenue account that is statutorily appropriated to the Department of Commerce. After the cost of administration, 75 percent of the money must be used for grants and loans to local governments for job creation projects and the other 25 percent is for the certified regional development corporations for economic development activities.

House Bill 270 – HB 270 transferred the New Worker Training Program from the Governor's Office of Economic Opportunity to the Department of Commerce and revised the programs funding mechanism. The legislature approved the transfer of 2.00 FTE and appropriated \$2.8 million of one-time-only (OTO) state general fund over the 2007 biennium in HB 2 for the New Worker Training Program.

House Bill 271 – HB 271, a companion bill to HB 270, provided for a FY 2005 supplemental appropriation of \$2.17 million in state general fund money for the New Worker Training Program.

House Bill 301 – HB 301 continues the sale of Lewis and Clark bicentennial specialty license plates and provides that revenue from the sale of said license plates be allocated to the Department of Commerce and the Montana Historical Society as the successors to the Lewis and Clark Bicentennial Commission. Beginning January 1, 2007, the Department of Commerce and the Montana Historical Society will use the money deposited in the special revenue accounts to support projects related to Lewis and Clark activities. The license plate revenue is statutorily appropriated 75 percent to the Department of Commerce and 25 percent to the Montana Historical Society.

House Bill 423 – HB 423 provides for a \$500,000 biennial general fund appropriation to establish the Great Plains Dinosaur Park in Malta, Montana.

House Bill 481 – HB 481 establishes a Main Street program in the Department of Commerce to be developed in conjunction with the National Trust for Historic Preservation. The purpose of the program is to assist communities in restoring and retaining the historic character of their downtown areas and historic commercial districts. The legislature appropriated \$250,000 of one-time-only state special revenue over the biennium from the highway non-restricted account.

House Bill 482 – HB 482 increases the amount of coal severance tax revenues flowing into the coal tax shared account from 7.75 percent to 8.36 percent. The legislature approved \$140,259 in state special revenue funding for the Coal Board in a biennial grants appropriation to implement the provisions of HB 482.

House Bill 584 – HB 584 establishes the Big Sky on the Big Screen Act. HB 584 requires production companies to apply to the Department of Commerce for state certification of a production in order to qualify for the tax credits enumerated in the bill. The application fees established in the bill are deposited in a state special revenue account and statutorily appropriated in an equal amount to the Department of Commerce and the Department of Revenue.

House Bill 713 – HB 713 appropriated \$100,000 in general fund to create a task force to conduct a mission assessment for military and national guard installations in Montana and to promote the establishment of new installations and expanded missions in the state. Any funds not expended specifically for the purposes of this bill will revert to the general fund.

Senate Bill 133 – SB 133 establishes the Montana Equity Capital Investment Act to provide investment incentives to nourish creation of a private seed and venture capital industry to fund academic, technological, and innovative companies by creating a Montana Equity Fund and Montana Equity Capital Investment Board. The bill also authorizes the issuance of tax credits to investors in the Montana Equity Fund and requires the board to charge an annual fee to the designated investor group for administration of the Act. The board, which consists of five voting members, is administratively attached to the Department of Commerce. The legislature provided no FTE or appropriation to implement the program in SB 133.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 47.00 | 46.66 | 46.66 | 0.00 | 46.66 | 46.66 | 0.00 | |
| Personal Services | 2,091,891 | 2,317,579 | 2,390,472 | 72,893 | 2,317,754 | 2,499,805 | 182,051 | 254,944 |
| Operating Expenses | 2,253,689 | 3,274,802 | 3,374,802 | 100,000 | 3,232,496 | 3,132,496 | (100,000) | 0 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 15,130,854 | 21,455,215 | 19,714,946 | (1,740,269) | 20,377,064 | 18,294,429 | (2,082,635) | (3,822,904) |
| Benefits & Claims | 210,496 | 475,000 | 475,000 | 0 | 475,000 | 475,000 | 0 | 0 |
| Total Costs | \$19,686,930 | \$27,522,596 | \$25,955,220 | (\$1,567,376) | \$26,402,314 | \$24,401,730 | (\$2,000,584) | (\$3,567,960) |
| General Fund | 1,565,311 | 4,625,527 | 3,964,787 | (660,740) | 4,624,909 | 4,025,340 | (599,569) | (1,260,309) |
| State/Other Special | 1,622,888 | 4,799,398 | 3,676,560 | (1,122,838) | 3,447,809 | 2,004,730 | (1,443,079) | (2,565,917) |
| Federal Special | 16,498,731 | 18,097,671 | 18,313,873 | 216,202 | 18,329,596 | 18,371,660 | 42,064 | 258,266 |
| Total Funds | \$19,686,930 | \$27,522,596 | \$25,955,220 | (\$1,567,376) | \$26,402,314 | \$24,401,730 | (\$2,000,584) | (\$3,567,960) |

The legislative budget is \$3.6 million or 14 percent less than the executive budget proposal, with general fund reduced by \$1.2 million, state special revenue lower by \$2.5 million, and federal special revenue higher by \$258,266 over the biennium. The primary differences between the legislative and executive budget are the following:

The reduction in general fund of \$1.2 million is the culmination of several reductions in the Worker-Training program by \$1.2 million and the Made-in-Montana Program by \$200,000. These decreases were offset by an increase of \$139,691 for the statewide pay plan.

State special revenue reductions of \$2.5 million are the net of several adjustments. The legislature added \$140,259 to the Coal Board from the coal severance tax shared account and \$49,707 to implement HB 447, the statewide pay plan; The executive included funds for the creation of the new Big Sky Economic Development Trust fund created from the coal tax trust fund for economic development in Montana in HB 2. The legislature passed HB 249, which establishes a statutory appropriation of state special revenue over the biennium of \$2.8 million, making the requested HB 2 appropriation unnecessary.

Federal special revenue is increased by \$200,000 for small business innovation research grants for information sharing and \$58,266 for implementation of HB 447.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 26.50 | (0.34) | 2.00 | 28.16 | (0.34) | 2.00 | 28.16 | 28.16 |
| Personal Services | 1,126,589 | 189,332 | 136,611 | 1,452,532 | 189,775 | 201,798 | 1,518,162 | 2,970,694 |
| Operating Expenses | 1,115,614 | 493,380 | 270,000 | 1,878,994 | 484,998 | 70,000 | 1,670,612 | 3,549,606 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 2,856,896 | 1,456,651 | 460,247 | 4,773,794 | 1,456,651 | 460,507 | 4,774,054 | 9,547,848 |
| Total Costs | \$5,099,099 | \$2,139,363 | \$866,858 | \$8,105,320 | \$2,131,424 | \$732,305 | \$7,962,828 | \$16,068,148 |
| General Fund | 1,363,945 | 1,841,582 | 533,274 | 3,738,801 | 1,840,964 | 585,074 | 3,789,983 | 7,528,784 |
| State/Other Special | 182,270 | 48,919 | 127,162 | 358,351 | 48,760 | 130,600 | 361,630 | 719,981 |
| Federal Special | 3,552,884 | 248,862 | 206,422 | 4,008,168 | 241,700 | 16,631 | 3,811,215 | 7,819,383 |
| Total Funds | \$5,099,099 | \$2,139,363 | \$866,858 | \$8,105,320 | \$2,131,424 | \$732,305 | \$7,962,828 | \$16,068,148 |

Program Description

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs; the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Bureaus within the division include:

- Regional Development Bureau
- Trade and International Relations Bureau
- Community Development Block Grant (CDBG) Program
- Census and Economic Information Center (CEIC)
- Small Business Development Centers
- Made In Montana Program

Program Highlights

| Business Resources Division Major Budget Highlights | |
|--|---|
| ♦ | General fund increases by \$4.8 million over the base budget are due to: <ul style="list-style-type: none"> • Transfer of the Worker Training Program from the Governors' Office of Economic Opportunity (\$2.8 million) • \$800,000 for enhancing the Made in Montana Program • \$1.0 million for the new Indian Country Economic Development • Statewide present law adjustments and pay plan |
| ♦ | State special revenue increases by \$355,441 over the base budget is primarily due to: <ul style="list-style-type: none"> • HB 481 which establishes the new Main Street Program (\$200,000) • Statewide present law adjustments and pay plan |
| ♦ | Federal special revenue increases by \$713,615 over the base budget mostly due to: <ul style="list-style-type: none"> • Increases in CBDG grants and small business innovation research grants (\$513,302) • Statewide present law adjustments and pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium

| | | Program Funding Table Business Resources Division | | | | | |
|-----------------|--------------------------------------|--|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,363,945 | 26.7% | \$ 3,738,801 | 46.1% | \$ 3,789,983 | 47.6% |
| | 01100 General Fund | 1,363,945 | 26.7% | 3,738,801 | 46.1% | 3,789,983 | 47.6% |
| 02000 | Total State Special Funds | 182,270 | 3.6% | 358,351 | 4.4% | 361,630 | 4.5% |
| | 02090 Business Asst-Private | 26,333 | 0.5% | 51,333 | 0.6% | 51,333 | 0.6% |
| | 02191 Montana Capitol Co. Act | 5,427 | 0.1% | 5,427 | 0.1% | 5,427 | 0.1% |
| | 02210 Microbusiness Admin Acct | 80,510 | 1.6% | 106,591 | 1.3% | 109,870 | 1.4% |
| | 02349 Highway Non-Restricted Account | - | - | 125,000 | 1.5% | 125,000 | 1.6% |
| | 02563 Nat'L Dev. Cncl Training Funds | 70,000 | 1.4% | 70,000 | 0.9% | 70,000 | 0.9% |
| 03000 | Total Federal Special Funds | 3,552,884 | 69.7% | 4,008,168 | 49.5% | 3,811,215 | 47.9% |
| | 03059 Community Development Block | 2,873,654 | 56.4% | 3,172,339 | 39.1% | 3,170,045 | 39.8% |
| | 03061 Eda Revolving Loan Fund | 18,393 | 0.4% | 19,288 | 0.2% | 19,252 | 0.2% |
| | 03075 Sba Microloan | 77,748 | 1.5% | 81,533 | 1.0% | 81,379 | 1.0% |
| | 03207 Small Business Dev. Centers | 506,089 | 9.9% | 535,008 | 6.6% | 540,539 | 6.8% |
| | 03339 Forest Service Program | - | - | 200,000 | 2.5% | - | - |
| | 03957 Wia Labor Training | 77,000 | 1.5% | - | - | - | - |
| Grand Total | | <u>\$ 5,099,099</u> | <u>100.0%</u> | <u>\$ 8,105,320</u> | <u>100.0%</u> | <u>\$ 7,962,828</u> | <u>100.0%</u> |

The Business Resources Division is funded by a combination of 46 percent general fund, 3 percent state special revenue funds, and 51 percent federal special revenue.

General fund supports the following programs:

- Census and Economic Information Center (CEIC)
- The Regional Development Bureau
- A portion of trade and international relations activities
- State match on federal funds for the administrative costs of the community development block grants and Small Business Development Centers
- The Made in Montana Program
- Worker Training Program
- Indian Country Economic Development

State special revenue funds the following:

- Administrative expenses of the Micro-Business Loan Program through the interest from loans to micro-business development corporations made from the permanent coal tax trust
- A portion of trade and international relations activities through conference fees and the sale of trade directories, and a grant from the Growth Through Agriculture program of \$90,000 each year
- A portion of Small Business Development Centers through private industry partnering
- The Main Street Program from the highway non-restricted account in the Department of Transportation

Federal funds support most expenditures of the Small Business Development Centers and community development block grants.

Trade and international relations activities also receive funding from the Montana Promotion Division allocation of lodging facility use tax, amounting to approximately \$100,000 annually. Since lodging facility use tax revenues are statutorily appropriated, this amount does not require legislative appropriation in HB 2 and as such does not appear in the funding tables.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|--------------------|-------------|--------------|---------------|-----------------|--------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 310,453 | | | | | 310,600 |
| Vacancy Savings | | | | (57,483) | | | | | (57,487) |
| Inflation/Deflation | | | | (707) | | | | | (690) |
| Fixed Costs | | | | (12,719) | | | | | (22,708) |
| Total Statewide Present Law Adjustments | | | | \$239,544 | | | | | \$229,715 |
| DP 111 - New Worker Training Program-OTO | | | | | | | | | |
| 2.00 | 1,400,000 | 0 | 0 | 1,400,000 | 2.00 | 1,400,000 | 0 | 0 | 1,400,000 |
| DP 444 - Enhance the Made in Montana Program | | | | | | | | | |
| 1.00 | 300,000 | 0 | 0 | 300,000 | 1.00 | 300,000 | 0 | 0 | 300,000 |
| DP 555 - Made in Montana (Restricted/OTO) | | | | | | | | | |
| 0.00 | 100,000 | 0 | 0 | 100,000 | 0.00 | 100,000 | 0 | 0 | 100,000 |
| DP 5101 - BRD FTE Reallocation HB0002 | | | | | | | | | |
| (3.00) | (150,459) | 0 | 0 | (150,459) | (3.00) | (150,043) | 0 | 0 | (150,043) |
| DP 5104 - BRD Federal Grants Adjustment HB0002 | | | | | | | | | |
| 0.00 | 0 | 0 | 156,651 | 156,651 | 0.00 | 0 | 0 | 156,651 | 156,651 |
| DP 5111 - BRD Administrative Costs Adjustments HB0002 | | | | | | | | | |
| 0.00 | 62,611 | 45,000 | 0 | 107,611 | 0.00 | 64,076 | 45,000 | 0 | 109,076 |
| DP 5126 - BRD Statewide FTE Reduction HB0002 | | | | | | | | | |
| (0.34) | (13,984) | 0 | 0 | (13,984) | (0.34) | (13,975) | 0 | 0 | (13,975) |
| Total Other Present Law Adjustments | | | | | | | | | |
| (0.34) | \$1,698,168 | \$45,000 | \$156,651 | \$1,899,819 | (0.34) | \$1,700,058 | \$45,000 | \$156,651 | \$1,901,709 |
| Grand Total All Present Law Adjustments | | | | \$2,139,363 | | | | | \$2,131,424 |

DP 111 - New Worker Training Program-OTO - The legislature approved the transfer of the Worker Training Program from the Governor's Office of Economic Opportunity to the Department of Commerce. The Worker Training Program was enacted under HB 564 and passed by the 2003 Legislature. The legislature eliminated the use of the INTERCAP loan program and provided funding through a direct general fund appropriation.

DP 444 - Enhance the Made in Montana Program - The legislature continued the Made in Montana Program in the 2007 biennium by adding 1.0 FTE and \$600,000 of general fund.

DP 555 - Made in Montana (Restricted/OTO) - The legislature moved \$200,000 of general fund appropriation from the Worker Training Program to the Made in Montana Program to enhance and expand the program.

DP 5101 - BRD FTE Reallocation HB0002 - In the 2003 legislative session, \$150,000 in HB 2 general fund each year was removed from the Business Resources Division in order to achieve the budget reductions made by the legislature by transferring funding for three positions to a statutory appropriation. Since these positions were still in the base, they were funded through present law adjustments in the 2007 biennium. The legislature eliminated these positions from the adjusted base. The net general fund impact over the 2007 biennium is zero.

DP 5104 - BRD Federal Grants Adjustment HB0002 - The legislature approved federal special revenue authority for Community Development Block Grant Program (CDBG) increases. CDBG economic development funds are projected to increase during the 2007 biennium to an estimated \$2.5 million per year.

DP 5111 - BRD Administrative Costs Adjustments HB0002 - The legislature approved an increase in general fund and state special revenue for the following:

- o Carry forward of base year expenditures for overtime of \$2,794 per year

- o Restoration of per diem of \$2,457 per year
- o Increases in consulting and professional services of \$45,000 per year for the following: 1) Made-In-Montana Trade Show; 2) Women in Business conference; and 3) Micro-Business Development Corporation training
- o Increase in travel for the Economic Development Advisory Council of \$3,803 per year
- o Increase in building rent of \$2,070 in FY 2006 and \$4,067 in FY 2007
- o Increased expenditures for agency indirect charges of \$51,000 per year

DP 5126 - BRD Statewide FTE Reduction HB0002 - The legislature approved a reduction of general fund each year to eliminate 0.34 FTE from the division to make permanent a personal services reduction made by the 2003 legislature.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|------------------|------------------|------------------|------------------|-------------|------------------|------------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - BRD Federal Grant Increases SBIR-OTO | | | | | | | | | | |
| 51 | 0.00 | 0 | 0 | 200,000 | 200,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 2 - Main Street Program | | | | | | | | | | |
| 51 | 1.00 | 0 | 125,000 | 0 | 125,000 | 1.00 | 0 | 125,000 | 0 | 125,000 |
| DP 223 - Indian Country Economic Development-OTO | | | | | | | | | | |
| 51 | 1.00 | 500,000 | 0 | 0 | 500,000 | 1.00 | 500,000 | 0 | 0 | 500,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 51 | 0.00 | 33,274 | 2,162 | 6,422 | 41,858 | 0.00 | 85,074 | 5,600 | 16,631 | 107,305 |
| Total | 2.00 | \$533,274 | \$127,162 | \$206,422 | \$866,858 | 2.00 | \$585,074 | \$130,600 | \$16,631 | \$732,305 |

DP 1 - BRD Federal Grant Increases SBIR-OTO - The legislature approved additional federal special revenue for small business innovation research grants for information sharing.

DP 2 - Main Street Program - The legislature added funding for the Main Street Program from the highway non-restricted account from the Department of Transportation.

DP 223 - Indian Country Economic Development-OTO - The legislature approved a new program that promotes economic development opportunities on the seven different Indian reservations located throughout Montana. Funding would be provided by a general fund appropriation of \$500,000 each year of the biennium

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*, however his authority to do so is questioned and may be challenged through legal action

"The department shall present a written report every 6 months beginning December 1, 2005, to the economic affairs interim committee on the status of grants and program implementation of the worker training program and the Indian country economic development program."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 476,286 | 293,100 | 0 | 769,386 | 273,714 | 0 | 750,000 | 1,519,386 |
| Total Costs | \$476,286 | \$293,100 | \$0 | \$769,386 | \$273,714 | \$0 | \$750,000 | \$1,519,386 |
| State/Other Special | 476,286 | 293,100 | 0 | 769,386 | 273,714 | 0 | 750,000 | 1,519,386 |
| Total Funds | \$476,286 | \$293,100 | \$0 | \$769,386 | \$273,714 | \$0 | \$750,000 | \$1,519,386 |

Program Description

The Montana Promotion Division strives to increase visitor travel, visitor expenditures, and film production in the state. The division works to project a positive image of the state through consumer advertising, electronic marketing, publicity, international and domestic group travel marketing, printing and distribution of literature, and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes infrastructure grants and oversees expenditures of six regional non-profit corporations and the ten qualified convention and visitor's bureaus.

Program Highlights

| Montana Promotion Division Major Budget Highlights | |
|---|--|
| ♦ | Funding increases are for additional spending authority to expend private donations for national advertising and promotion of Travel Montana |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Montana Promotion Divisi | | | | | | | |
|---|---------------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 476,286 | 100.0% | \$ 769,386 | 100.0% | \$ 750,000 | 100.0% |
| | 02116 Accommodation Tax Account | 18,341 | 3.9% | 19,386 | 2.5% | - | - |
| | 02154 Mt Promotion-Private | 457,945 | 96.1% | 750,000 | 97.5% | 750,000 | 100.0% |
| Grand Total | | <u>\$ 476,286</u> | <u>100.0%</u> | <u>\$ 769,386</u> | <u>100.0%</u> | <u>\$ 750,000</u> | <u>100.0%</u> |

The Montana Promotion Division is funded primarily by state special revenues, derived from 67.5 percent of the 4 percent Montana Lodging Facility Use Tax "remaining after statutory deductions". The portion of the bed tax appropriated in HB 2 and shown in the table above funds numerous private organizations throughout Montana that produce and distribute cooperative advertising and joint promotional activities. This public/private partnership is funded cooperatively with the state and typically receives funding from private partners to develop and distribute targeted marketing efforts. Legislative audit costs are also funded in HB 2.

The remainder of the tax not allocated to the Department of Commerce goes to the Montana Historical Society, the University of Montana for allocation to the Institute of Tourism and Recreation Research, the Department of Revenue to cover the cost of collections, and to the Department of Fish, Wildlife, and Parks. The funds distributed to the Department of Commerce are statutorily appropriated by 15-65-121, MCA, rather than in HB 2.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-----------------|------------------|--------------------|------------------|-----------------------|-----------------|------------------|--------------------|------------------|-------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Fixed Costs | | | | 1,045 | | | | | | (18,341) |
| Total Statewide Present Law Adjustments | | | | \$1,045 | | | | | | (\$18,341) |
| DP 5212 - MPD Private Funds & Audit Adjustments HB0002 | | | | | | | | | | |
| 0.00 | 0 | 292,055 | 0 | 292,055 | 0.00 | 0 | 292,055 | 0 | 292,055 | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$292,055 | \$0 | \$292,055 | 0.00 | \$0 | \$292,055 | \$0 | \$292,055 | |
| Grand Total All Present Law Adjustments | | | | \$293,100 | | | | | | \$273,714 |

DP 5212 - MPD Private Funds & Audit Adjustments HB0002 - The legislature approved an increase in state special revenue authority to increase national advertising by \$292,055 each year.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 13.00 | 0.00 | 0.00 | 13.00 | 0.00 | 0.00 | 13.00 | 13.00 |
| Personal Services | 625,775 | 30,057 | 19,146 | 674,978 | 30,600 | 49,681 | 706,056 | 1,381,034 |
| Operating Expenses | 409,881 | 126,169 | 0 | 536,050 | 118,554 | 0 | 528,435 | 1,064,485 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 6,587,183 | 2,913,105 | 0 | 9,500,288 | 1,240,652 | 0 | 7,827,835 | 17,328,123 |
| Total Costs | \$7,622,839 | \$3,069,331 | \$19,146 | \$10,711,316 | \$1,389,806 | \$49,681 | \$9,062,326 | \$19,773,642 |
| General Fund | 201,366 | 18,634 | 5,986 | 225,986 | 18,634 | 15,357 | 235,357 | 461,343 |
| State/Other Special | 964,332 | 1,572,867 | 11,624 | 2,548,823 | (101,553) | 30,321 | 893,100 | 3,441,923 |
| Federal Special | 6,457,141 | 1,477,830 | 1,536 | 7,936,507 | 1,472,725 | 4,003 | 7,933,869 | 15,870,376 |
| Total Funds | \$7,622,839 | \$3,069,331 | \$19,146 | \$10,711,316 | \$1,389,806 | \$49,681 | \$9,062,326 | \$19,773,642 |

Program Description

The Community Development Division works with federal, state, and local governments, private non-profit organizations, and private citizens, in regard to community needs identification, public facilities planning and financing, housing development for low and moderate income families, neighborhood revitalization, and coal and hard rock mining mitigation, as well as management of projects funded through division programs.

There are two major programs directly administered by the division: The Community Development Block Grant Program (CDBG), and the Treasure State Endowment Program (TSEP). The Montana Coal Board and the Montana Hard Rock Mining Impact Board are also attached to the Community Development Division for administrative purposes. The division provides office facilities, staff, and administrative support for the boards.

Other assisted entities include local planning programs, community development corporations, human resource development councils, water and sewer districts, fire departments, and housing authorities.

Program Highlights

| Community Development Division Major Budget Highlights | |
|---|--|
| ♦ | The legislative budget funds the Coal Board grants from the coal severance tax shared account with a share of the new 8.36 percentage due to the passage of HB 482 |
| ♦ | The remaining increases in funding are primarily due to grants and administrative cost adjustments |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Community Development Di | | | | | |
|-----------------|-----------------------------------|---|----------------------|----------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 201,366 | 2.6% | \$ 225,986 | 2.1% | \$ 235,357 | 2.6% |
| | 01100 General Fund | 201,366 | 2.6% | 225,986 | 2.1% | 235,357 | 2.6% |
| 02000 | Total State Special Funds | 964,332 | 12.7% | 2,548,823 | 23.8% | 893,100 | 9.9% |
| | 02049 Hard Rock Mining | 95,617 | 1.3% | 275,222 | 2.6% | 277,577 | 3.1% |
| | 02270 Treasure State Endowment | 474,573 | 6.2% | 510,674 | 4.8% | 522,956 | 5.8% |
| | 02340 Coal Sev. Tax Shared Ssr | 394,142 | 5.2% | 1,762,927 | 16.5% | 92,567 | 1.0% |
| 03000 | Total Federal Special Funds | 6,457,141 | 84.7% | 7,936,507 | 74.1% | 7,933,869 | 87.5% |
| | 03059 Community Development Block | 6,457,141 | 84.7% | 7,936,507 | 74.1% | 7,933,869 | 87.5% |
| Grand Total | | <u>\$7,622,839</u> | <u>100.0%</u> | <u>\$ 10,711,316</u> | <u>100.0%</u> | <u>\$ 9,062,326</u> | <u>100.0%</u> |

The four programs within the Community Development Division are funded as follows:

- o Interest earnings from the treasure state endowment fund, a sub-fund within the coal tax trust fund, fund the Treasure State Endowment Program.
- o The Coal Board is funded exclusively from a share of the 8.36 percent coal severance tax shared account. The shared account funds the coal board local impact grants, pass-through funding for conservation districts, a portion of the Growth Through Agriculture Program, and state library services through the State Library Commission.
- o The CDBG program is primarily funded with federal block grant funds, allocated through the US Department of Housing and Urban Development (HUD). The general fund provides a required match for a portion of the administrative costs of the program equal to two percent of the annual CDBG allocation
- o The Hard-Rock Mining Impact Board is funded by a 2.5 percent allocation of the metalliferous mines license tax (MMLT)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|--------------------|-----------------------|-----------------|------------------|--------------------|--------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 54,778 | | | | | 55,346 |
| Vacancy Savings | | | | (27,221) | | | | | (27,246) |
| Inflation/Deflation | | | | (2,215) | | | | | (2,198) |
| Fixed Costs | | | | (13,255) | | | | | (21,891) |
| Total Statewide Present Law Adjustments | | | | \$12,087 | | | | | \$4,011 |
| DP 6003 - CD Grants Adjustment HB0002 | | | | | | | | | |
| 0.00 | 0 | 1,387,344 | 1,500,000 | 2,887,344 | 0.00 | 0 | (319,992) | 1,500,000 | 1,180,008 |
| DP 6004 - Coal Board Grant Adjustments | | | | | | | | | |
| 0.00 | 0 | (34,883) | 0 | (34,883) | 0.00 | 0 | 0 | 0 | 0 |
| DP 6013 - CD Administrative Costs Adjustments HB0002 | | | | | | | | | |
| 0.00 | 0 | 123,606 | 20,533 | 144,139 | 0.00 | 0 | 124,130 | 21,013 | 145,143 |
| DP 6060 - CD Grants Hard Rock Adjustments HB0002 | | | | | | | | | |
| 0.00 | 0 | 60,644 | 0 | 60,644 | 0.00 | 0 | 60,644 | 0 | 60,644 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$1,536,711 | \$1,520,533 | \$3,057,244 | 0.00 | \$0 | (\$135,218) | \$1,521,013 | \$1,385,795 |
| Grand Total All Present Law Adjustments | | | | \$3,069,331 | | | | | \$1,389,806 |

DP 6003 - CD Grants Adjustment HB0002 - The legislature approved additional federal special revenue authority from the Community Development Block Grants of \$1.5 million each year for new construction grants. Also, the legislature approved a biennial appropriation for the Coal Board for grants to local coal communities of \$1,067,352. Funding for the Coal Board grants comes from the coal severance tax shared account.

DP 6004 - Coal Board Grant Adjustments - The legislature reduced available grants to the Coal Board by \$34,883 over the biennium. Funding for the Coal Board grants comes from the coal severance tax shared account.

DP 6013 - CD Administrative Costs Adjustments HB0002 - The legislature approved an increase in state special and federal special revenue authority for administrative cost increases for the following items:

- o Restoration of per diem of \$2,500 per year
- o Increased consultants and professional services of \$5,000 per year to retain professional architects and engineers
- o Increased travel of \$5,250 for attendance in HUD training for CDBG staff in Washington D.C. and HUD's regional headquarters in Denver, Colorado
- o Increased rent of \$2,451 in FY 2006 and \$3,709 in FY 2007
- o Increased expenditures for agency indirect charges of \$100,000 per year

DP 6060 - CD Grants Hard Rock Adjustments HB0002 - The legislature approved additional state special revenue authority to transfer all money segregated by the county in the hard rock mining impact trust account in excess of \$100,000 to the county for which the funds have been held in deposit, as required in 90-6-331, MCA.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 60 | 0.00 | 5,986 | 11,624 | 1,536 | 19,146 | 0.00 | 15,357 | 30,321 | 4,003 | 49,681 |
| Total | 0.00 | \$5,986 | \$11,624 | \$1,536 | \$19,146 | 0.00 | \$15,357 | \$30,321 | \$4,003 | \$49,681 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Description

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers. Cost savings are shared with consumers in the form of lower fees.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Proprietary Revenues and Expenses**Revenue Description:**

The Facility Finance Authority is funded entirely by proprietary funds with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

Expense Description:

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, grants, and expenditures related to the periodic replacement of computer equipment.

Non-typical and one-time-only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 2.00 FTE and board member per diem.

Proprietary Rate Explanation

The Facilities Finance Authority is funded by an enterprise fund and as such the legislature does not set the rates for its operations. Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 5.50 | 0.00 | 0.00 | 5.50 | 0.00 | 0.00 | 5.50 | 5.50 |
| Personal Services | 254,825 | (107) | 7,596 | 262,314 | (668) | 19,831 | 273,988 | 536,302 |
| Operating Expenses | 156,973 | 33,399 | 0 | 190,372 | 26,476 | 0 | 183,449 | 373,821 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 5,686,775 | (245,911) | 0 | 5,440,864 | 5,765 | 0 | 5,692,540 | 11,133,404 |
| Total Costs | \$6,098,573 | (\$212,619) | \$7,596 | \$5,893,550 | \$31,573 | \$19,831 | \$6,149,977 | \$12,043,527 |
| Federal Special | 6,098,573 | (212,619) | 7,596 | 5,893,550 | 31,573 | 19,831 | 6,149,977 | 12,043,527 |
| Total Funds | \$6,098,573 | (\$212,619) | \$7,596 | \$5,893,550 | \$31,573 | \$19,831 | \$6,149,977 | \$12,043,527 |

Program Description

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes the Housing and Urban Development (HUD) HOME Investment Partnerships program, the HUD Tenant Based and Project Based Section 8 Housing programs, and the Board of Housing and its programs:

- The HOME program provides grant funds to eligible local government entities and Community Housing Development Organizations for assistance in financing new construction or rehabilitation of individual homes or rental units, tenant based rental assistance, and other eligible activities
- The Section 8 Housing programs provide rental assistance through HUD Section 8 authority, on behalf of low-income families and the elderly
- The Board of Housing is a seven-member, quasi-judicial board appointed by the Governor and administratively attached to the Department of Commerce. The board administers the Low-Income Housing Tax Credit, Multi-Family Loan, Reverse Annuity Mortgage, and Single Family Programs

Program Highlights

| Housing Division Major Budget Highlights | |
|---|--|
| ◆ | Decreases in funding are from a coding error in the base year and the corresponding adjustment to anticipated HUD grants |
| ◆ | Increases in the budgets are due to statewide pay plan and adjustments to administrative costs for the program |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Housing Division | | | | | | | |
|---|-----------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 03000 | Total Federal Special Funds | \$ 6,098,573 | 100.0% | \$ 5,893,550 | 100.0% | \$ 6,149,977 | 100.0% |
| | 03300 Home Grants | <u>6,098,573</u> | <u>100.0%</u> | <u>5,893,550</u> | <u>100.0%</u> | <u>6,149,977</u> | <u>100.0%</u> |
| Grand Total | | <u>\$ 6,098,573</u> | <u>100.0%</u> | <u>\$ 5,893,550</u> | <u>100.0%</u> | <u>\$ 6,149,977</u> | <u>100.0%</u> |

Most expenses of this division are funded through non-budgeted enterprise accounts, including the Board of Housing Financial Program, Housing Trust Fund, Affordable Housing Revolving Loan, and Revolving Loan Fund.

HB 2 appropriations support the HOME program by an annual categorical federal grant from HUD. Grant funds are distributed using a competitive process to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|--------------------|-----------------------|-----------------|------------------|--------------------|------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 9,913 | | | | | 9,327 |
| Vacancy Savings | | | | (10,590) | | | | | (10,565) |
| Inflation/Deflation | | | | (169) | | | | | (162) |
| Fixed Costs | | | | (1,133) | | | | | (1,403) |
| Total Statewide Present Law Adjustments | | | | (\$1,979) | | | | | (\$2,803) |
| DP 7405 - HD HOME Federal Grants Adjustment HB0002 | | | | | | | | | |
| 0.00 | 0 | 0 | (245,911) | (245,911) | 0.00 | 0 | 0 | 5,765 | 5,765 |
| DP 7414 - HD Administrative Costs Adjustments HB0002 | | | | | | | | | |
| 0.00 | 0 | 0 | 35,271 | 35,271 | 0.00 | 0 | 0 | 28,611 | 28,611 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$0 | (\$210,640) | (\$210,640) | 0.00 | \$0 | \$0 | \$34,376 | \$34,376 |
| Grand Total All Present Law Adjustments | | | | (\$212,619) | | | | | \$31,573 |

DP 7405 - HD HOME Federal Grants Adjustment HB0002 - The legislature approved an adjustment in home grants to correct an expenditure coding error in the base-year and adjust for expected HUD grants. The effect of this correction in FY 2006 is a decrease in grants to local agencies of \$71,179, construction grants of \$142,284, and project administration grants of \$32,448. In FY 2007 the net result of this adjustment are a decrease in grants to local agencies of \$71,179, an increase in construction grants of \$109,392, and a decrease in project administration grants of \$32,448.

DP 7414 - HD Administrative Costs Adjustments HB0002 - The legislature approved additional federal special revenue authority from the Home Grants for the following adjustments:

- o Restore base year expenditures for overtime of \$570 a year
- o Increase minor equipment computer hardware by \$8,800 in FY 2006 to adjust to a 4-year equipment replacement schedule

- Increase travel costs for attendance in the Application Oriented Design (AOD) software conference of \$1,996 per year
- Increase rent by 2 percent a year due to annual contract obligations of \$920 in FY 2006 and \$1,394 in FY 2007
- Increase agency indirect charges of \$7,000 a year to support the services provided by the Director's Office/Management Services Division
- Add maintenance contracts and yearly licenses of \$18,700 in FY 2006 and \$20,570 in FY 2007 for new AOD software purchased in FY 2004
- Remove moving expenses from the base budget of \$3,000 a year

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 74 | 0.00 | 0 | 0 | 7,596 | 7,596 | 0.00 | 0 | 0 | 19,831 | 19,831 |
| Total | 0.00 | \$0 | \$0 | \$7,596 | \$7,596 | 0.00 | \$0 | \$0 | \$19,831 | \$19,831 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates**Program Description**

The Board of Investments invests all state funds in the Unified Investment Program, established under Article VIII, Section 13 of the Montana Constitution. Local governments may invest in the Short-Term Investment Pool. The six investment pools include the Retirement Funds Bond, Trust Funds Bond, Short Term Investment, Montana Domestic Stock, Montana International Equity, and Montana Private Equity.

Proprietary Revenues and Expenses**Revenue Description:**

Nearly all Bond Program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270-day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are received monthly from the boards contract with the Montana Facility Finance Authority.

Expense Description:

The major cost drivers within the Board of Investments are personal services, operating expenses, and expenditures related to the periodic replacement of computer equipment. There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size. There are currently 34.00 FTE in this program

Proprietary Rate Explanation

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level.

For the Board of Investments, the legislature defined "rates" as the total collections necessary to operate the board. The legislature approved "rates" of \$3,203,219 in FY 2006 and \$3,128,734 in FY 2007.

Proprietary Significant Present Law

The only present law adjustment for accounting entity 06527 is for administrative costs for overtime, fixed costs, and rent.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 2.00 | (2.00) | 0.00 | 0.00 | (2.00) | 0.00 | 0.00 | 0.00 |
| Personal Services | 84,702 | (84,702) | 648 | 648 | (84,702) | 1,599 | 1,599 | 2,247 |
| Operating Expenses | 94,935 | (94,935) | 0 | 0 | (94,935) | 0 | 0 | 0 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits & Claims | 210,496 | 264,504 | 0 | 475,000 | 264,504 | 0 | 475,000 | 950,000 |
| Total Costs | \$390,133 | \$84,867 | \$648 | \$475,648 | \$84,867 | \$1,599 | \$476,599 | \$952,247 |
| Federal Special | 390,133 | 84,867 | 648 | 475,648 | 84,867 | 1,599 | 476,599 | 952,247 |
| Total Funds | \$390,133 | \$84,867 | \$648 | \$475,648 | \$84,867 | \$1,599 | \$476,599 | \$952,247 |

Program Description

The Director's Office/Management Services Division consists of three programs:

- The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana.
- The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.
- The Montana Council on Developmental Disabilities is to provide planning that assist Montanans with disabilities to live, work and participate in their communities

Program Highlights

| Director/Management Services Major Budget Highlights | |
|---|--|
| ◆ | The legislature realigned the Development Disabilities Planning and Advisory Council for oversight and management of services to a non-for-profit agency |

Program Narrative

The 2003 legislative session transferred the Developmental Disabilities Planning and Advisory Council (DDPAC) from the Department of Public Health and Human Services to the Department of Commerce, through HB 734. The legislature added 2.0 FTE and \$830,000 of federal special revenue authority over the 2005 biennium for implementation of HB 734 with the condition the department would be able to contract with a nonprofit corporation for the intended purposes of carrying out the tasks delegated to the DDPAC.

In FY 2005 the department entered into a contract with the Montana Council on Developmental Disabilities (MCDD) as a nonprofit corporation to carry out the responsibilities of DDPAC. DDPAC still remains administratively attached to the Department of Commerce, with the department acting as a go-between for disbursing (pass through) federal funds to the newly created nonprofit under the terms and conditions of the contract.

The DDPAC is the only program within the Director's/Management Services Division funded in HB 2. All program costs associated with this function are shown in the table above. The remainder of the division is funded with a non-budgeted proprietary account.

Funding

The Montana Council on Developmental Disabilities (DDPAC) is entirely funded with federal special revenues. The Director's Office/Management Services Division is funded by an internal service proprietary fund from indirect costs charged to all agency programs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------|--------------|---------------|-----------------|-----------------|-----------------------|--------------|---------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 21,896 | | | | | 21,599 |
| Vacancy Savings | | | | | (4,264) | | | | | (4,252) |
| Total Statewide Present Law Adjustments | | | | | \$17,632 | | | | | \$17,347 |
| DP 8115 - MSD Administrative Costs/DDPAC Realignment HB0002 | | | | | | | | | | |
| | (2.00) | 0 | 0 | 67,235 | 67,235 | (2.00) | 0 | 0 | 67,520 | 67,520 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | (2.00) | \$0 | \$0 | \$67,235 | \$67,235 | (2.00) | \$0 | \$0 | \$67,520 | \$67,520 |
| Grand Total All Present Law Adjustments | | | | | \$84,867 | | | | | \$84,867 |

DP 8115 - MSD Administrative Costs/DDPAC Realignment HB0002 - The legislature re-aligned the operating plans for DDPAC along with additional federal special revenue authority for the following adjustments:

- o Eliminate 2.00 FTE from the DDPAC program of approximately \$102,000 a year and reclassify these personal services costs into benefits and claims account
- o Reclassify all operating costs of \$94,935 into a benefits and claims account
- o Increase benefits and claims approximately \$67,000 a year

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|---------------|-----------------|--------------|-----------------------|--------------|---------------|-----------------|----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 81 | 0.00 | 0 | 0 | 648 | 648 | 0.00 | 0 | 0 | 1,599 | 1,599 |
| Total | 0.00 | \$0 | \$0 | \$648 | \$648 | 0.00 | \$0 | \$0 | \$1,599 | \$1,599 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Revenues and Expenses

The Director's Office/Management Services Division; is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the divisions' indirect cost plan. Indirect costs are allocated to supported programs based upon federally, and legislatively approved indirect cost rates applied to actual personal services expenditures.

The revenue objective of the Director's Office/Management Services Division is to maintain the lowest possible indirect charge to supported divisions, bureaus, and programs, while maintaining a nominal working capital reserve. The department has historically used this methodology in calculating indirect rates because the federal government requires the same methodology to be used when charging indirect costs to federally funded programs.

The major cost drivers within the Director's Office/Management Services Division are personal services, operating expenses and expenditures related to the periodic replacement of the agencies computer equipment.

The proposed indirect cost rate will fund 16.50 FTE in the 2007 biennium; the same number as the 2005 biennium.

Rate Explanation:

The legislature approved an indirect cost rate of 13.7 percent in FY 2006 and 13.65 percent in FY 2007. The divisions' indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the rate actually negotiated with HUD. The rate approved by the Legislature is considered a cap; therefore, the division cannot negotiate a rate higher than what has been approved by the Legislature. However, the rate negotiated with HUD may be slightly lower.

The division negotiates an annual rate with HUD. The approved rate is a fixed rate for federally funded programs. This rate is then applied against actual personal services expenditures within the department, not including the Director's Office/ Management Services Division.

The rate negotiated with HUD requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally negotiated to what actually occurred. The difference is then carried forward into the following year's rate.



CORRECTIONS AND PUBLIC SAFETY

Section D

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Board of Crime Control
Justice
Public Service Regulation

Corrections
Labor and Industry
Military Affairs

-----Committee Members-----

House

Representative Tim Callahan (Chair)
Representative Ray Hawk
Representative Cynthia Hiner
Representative John Witt

Senate

Senator Trudi Schmidt (Vice-Chair)
Senator Keith Bales
Senator Steve Gallus

-----Fiscal Division Staff-----

Harry Freebourn
Shane Sierer

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 19.00 | 0.00 | 1.00 | 20.00 | 0.00 | 1.00 | 20.00 | 20.00 |
| Personal Services | 817,872 | 109,114 | 77,949 | 1,004,935 | 108,994 | 122,176 | 1,049,042 | 2,053,977 |
| Operating Expenses | 482,394 | 25,734 | 18,202 | 526,330 | 23,101 | 16,402 | 521,897 | 1,048,227 |
| Equipment | 15,766 | 0 | 0 | 15,766 | 0 | 0 | 15,766 | 31,532 |
| Grants | 9,203,830 | 0 | 4,680,897 | 13,884,727 | 0 | 4,682,697 | 13,886,527 | 27,771,254 |
| Total Costs | \$10,519,862 | \$134,848 | \$4,777,048 | \$15,431,758 | \$132,095 | \$4,821,275 | \$15,473,232 | \$30,904,990 |
| General Fund | 1,623,752 | 96,420 | 20,008 | 1,740,180 | 93,673 | 51,301 | 1,768,726 | 3,508,906 |
| State/Other Special | 0 | 0 | 93,483 | 93,483 | 0 | 93,483 | 93,483 | 186,966 |
| Federal Special | 8,896,110 | 38,428 | 4,663,557 | 13,598,095 | 38,422 | 4,676,491 | 13,611,023 | 27,209,118 |
| Total Funds | \$10,519,862 | \$134,848 | \$4,777,048 | \$15,431,758 | \$132,095 | \$4,821,275 | \$15,473,232 | \$30,904,990 |

Agency Description

The Montana Board of Crime Control (MBCC) Division was established to promote public safety by strengthening the coordination and performance of the criminal and juvenile justice systems. The MBCC is an 18-member board appointed by the Governor. The MBCC supervises the Crime Control Division (CCD), which provides financial support, technical assistance, and support services to state and local criminal justice agencies. The CCD administers federal anti-drug and anti-crime grants, certifies peace officers and others in the criminal justice system, and provides funding for juvenile justice programs. In addition, CCD collects and analyzes crime data from Montana's law enforcement agencies and publishes the annual "Crime in Montana" report. MBCC is established in law by 2-15-2006, MCA.

The MBCC has two advisory councils: the Peace Officers Standards and Training Council (POST) and the Youth Justice Council (YJC). POST provides training, certification and other services to law enforcement officers and other public safety personnel. POST provides assistance and advice to law enforcement agencies, training academies, local county and city governments, and state agencies. POST also administers the contracts with the Regional Juvenile Detention Grant Program. YJC develops and implements the state's juvenile justice plan, recommends effective educational, training, research, prevention, diversion, treatment and rehabilitation programs. YJC also reviews and approves grant-funding proposals under the Juvenile Justice and Delinquency Act. The MBCC has two task forces: the Crime Reporting and Technology Task Force and the Drug Strategy Task Force.

Agency Highlights

| Crime Control Division Major Budget Highlights | |
|---|--|
| ♦ | The increase in general fund over the base budget is due primarily to statewide adjustments |
| ♦ | The increase of \$187,000 in state special revenue over the base budget is due to funding provided to support grants for domestic violence intervention programs |
| ♦ | The increase in federal funds of \$9.4 million over the base budget is due primarily to an increase in homeland security projects that included 1.00 FTE for a federal grant administrator |

Summary of Legislative Action

The legislature added present law adjustments of \$135,000 in FY 2006 and \$133,000 in FY 2007, mostly due to statewide present law adjustments and funding for POST revocation hearings. The legislature added 1.00 FTE and \$4.8 million in new proposals in each fiscal year of the 2007 biennium. The primary reasons for this increase are:

- Pay plan increases as provided by HB 447
- Federal funding of \$4.7 million for each fiscal year for homeland security law enforcement terrorism prevention
- State special revenue of \$0.1 million for each fiscal year for grants for the domestic violence intervention program as per the provisions of HB 476

Other Legislation

House Bill 476 – This bill provides for an increase of \$13.00 to the fee for a marriage license and the filing fee for a declaration of marriage without solemnization. This additional fee will be placed in a state special revenue account for use in funding grants for the domestic violence intervention program.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
|---------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| FTE | 19.00 | 21.00 | 20.00 | (1.00) | 21.00 | 20.00 | (1.00) | |
| Personal Services | 817,872 | 1,026,498 | 1,004,935 | (21,563) | 1,026,104 | 1,049,042 | 22,938 | 1,375 |
| Operating Expenses | 482,394 | 567,226 | 526,330 | (40,896) | 562,930 | 521,897 | (41,033) | (81,929) |
| Equipment | 15,766 | 15,766 | 15,766 | 0 | 15,766 | 15,766 | 0 | 0 |
| Grants | 9,203,830 | 13,800,592 | 13,884,727 | 84,135 | 13,802,392 | 13,886,527 | 84,135 | 168,270 |
| Total Costs | \$10,519,862 | \$15,410,082 | \$15,431,758 | \$21,676 | \$15,407,192 | \$15,473,232 | \$66,040 | \$87,716 |
| General Fund | 1,623,752 | 1,720,172 | 1,740,180 | 20,008 | 1,717,425 | 1,768,726 | 51,301 | 71,309 |
| State/Other Special | 0 | 0 | 93,483 | 93,483 | 0 | 93,483 | 93,483 | 186,966 |
| Federal Special | 8,896,110 | 13,689,910 | 13,598,095 | (91,815) | 13,689,767 | 13,611,023 | (78,744) | (170,559) |
| Total Funds | \$10,519,862 | \$15,410,082 | \$15,431,758 | \$21,676 | \$15,407,192 | \$15,473,232 | \$66,040 | \$87,716 |

The executive asked the legislature not to take action on a decision package that requested federal funds for a drug court coordinator in the amount of \$100,000 in each year of the biennium. This reduction was offset by an increase in state special revenue of \$93,483 in each year of the biennium to support grants for a domestic violence intervention program as provided in HB 476 and for pay plan increases as provided by HB 447.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by legislature.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|--------------|-------------|---------------|---------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Justice System Support Service | \$ 3,508,906 | \$ 186,966 | \$ 27,209,118 | \$ 30,904,990 | 100.00% |
| Grand Total | \$ 3,508,906 | \$ 186,966 | \$ 27,209,118 | \$ 30,904,990 | 100.00% |

General fund is used to support: 1) the Youth Detention Services Grant Program; 2) operation of the Peace Officer Standards and Training Program; 3) the Montana Uniform Crime Reporting System; 4) general agency administration; 5) technical assistance to local law enforcement; and 6) state matching funds for the administration of the Juvenile Justice, Juvenile Accountability, Title V Juvenile Drug Enforcement, Stop Violence Against Women, Residential Substance Abuse Treatment, and Criminal History Record Improvement federal grant programs.

General fund match is required for administrative costs and varies as follows: 1) 10 percent for the Juvenile Accountability grants; 2) 25 percent for the Drug Enforcement grant; 3) 50 percent for juvenile planning; 4) 25 percent for Violence Against Women; 5) 33.33 percent for Title V Juvenile Drug Enforcement; 6) 10 percent for Criminal History Record Improvement; and 7) 25 percent for Residential Substance Abuse Treatment.

Federal funds are primarily used for pass-through grant programs. However, federal funding is also used for administration of the Juvenile Justice, Juvenile Accountability, Drug Education, Victim assistance, Stop Violence Against Women, Enforce Underage Drinking Laws, Computer Crime Unit, Substance Abuse Treatment, and Drug Enforcement federal grant programs.

Figure 1 shows the pass-through grants and benefits for fiscal 2004 through the 2007 biennium.

| Figure 1 Pass Through Grants & Benefits for the 2007 Biennium | | | |
|--|--------------------|---------------------|---------------------|
| | FY 2004 Actuals | FY 2006 Requested | FY 2007 Requested |
| General Fund | | | |
| Juvenile Detention Centers | \$904,560 | \$904,560 | \$904,560 |
| State Special Revenue | | | |
| Domestic Violence Intervention | - | 84,135 | 84,135 |
| Federal Fund | | | |
| Homeland Security - LETP | - | 4,596,762 | 4,598,562 |
| Drug Free Schools | 444,756 | 444,756 | 444,756 |
| Victim Assistance | 1,433,679 | 1,433,679 | 1,433,679 |
| Juvenile Delinquency Prevention | | | |
| Criminal History Records Improvement | 703,112 | 703,112 | 703,112 |
| Violence Against Women | 851,243 | 851,243 | 851,243 |
| Drug Enforcement | 2,465,480 | 2,465,480 | 2,465,480 |
| Juvenile Justice | 619,262 | 619,262 | 619,262 |
| Substance Abuse Treatment | 416,399 | 416,399 | 416,399 |
| Law Enforcement Assistance | 213,521 | 213,521 | 213,521 |
| Juvenile Accountability Incentive | 809,818 | 809,818 | 809,818 |
| Enforce Underage Drinking Laws | 342,000 | 342,000 | 342,000 |
| Subtotal - Federal Fund | \$8,299,270 | \$12,896,032 | \$12,897,832 |
| Total Grants & Benefits | \$9,203,830 | \$13,884,727 | \$13,886,527 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|------------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 109,114 | | | | | 108,994 |
| Inflation/Deflation | | | | | (1,337) | | | | | (1,287) |
| Fixed Costs | | | | | 14,811 | | | | | 15,060 |
| Total Statewide Present Law Adjustments | | | | | \$122,588 | | | | | \$122,767 |
| DP 1 - POST Revocation Hearings | | | | | | | | | | |
| | 0.00 | 12,260 | 0 | 0 | 12,260 | 0.00 | 9,328 | 0 | 0 | 9,328 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$12,260 | \$0 | \$0 | \$12,260 | 0.00 | \$9,328 | \$0 | \$0 | \$9,328 |
| Grand Total All Present Law Adjustments | | | | | \$134,848 | | | | | \$132,095 |

DP 1 - POST Revocation Hearings - The legislature approved general fund to pay the Legal Service Division of the Department of Justice for legal services. Legal services are required to defend the department in lawsuits that arise due to the department's decertification of peace officers. Certification and decertification of peace officers is a function of the state. Occasionally the Montana Board of Crime Control is sued when it decertifies a peace officer for violations of state policy.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|-----------------|--------------------|--------------------|-------------|-----------------|-----------------|--------------------|--------------------|
| Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 3 - Homeland Security - Law Enforcement Terrorism Prev | | | | | | | | | | |
| 01 | 1.00 | 0 | 0 | 4,655,372 | 4,655,372 | 1.00 | 0 | 0 | 4,655,235 | 4,655,235 |
| DP 301 - Domestic Violence Intervention Prog. | | | | | | | | | | |
| 01 | 0.00 | 0 | 93,483 | 0 | 93,483 | 0.00 | 0 | 93,483 | 0 | 93,483 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 20,008 | 0 | 8,185 | 28,193 | 0.00 | 51,301 | 0 | 21,256 | 72,557 |
| Total | 1.00 | \$20,008 | \$93,483 | \$4,663,557 | \$4,777,048 | 1.00 | \$51,301 | \$93,483 | \$4,676,491 | \$4,821,275 |

DP 3 - Homeland Security - Law Enforcement Terrorism Prevention - The legislature approved biennial authority to expend \$4,655,372 in FY 2006 and \$4,655,235 in FY 2007 of federal grant funding that is expected to be received from the U.S. Department of Homeland Security, Office of Domestic Preparedness. This grant will cover costs to operate the program and hire 1.00 FTE. The FTE will be a program specialist in charge of administering this grant program. Administrative funds from this grant are expected to be \$58,238 in FY 2006 and \$56,438 in FY 2007.

DP 301 - Domestic Violence Intervention Program - The legislature approved state special revenue of \$93,483 in each fiscal year of the biennium to fund grants for a domestic violence intervention program. This funding is from a fee on marriage licenses.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Board of Crime Control administers several federal pass-through grants that have authority for three-years, on a federal fiscal year basis which begins on October 1 and ends on the following September 30. To provide continuing authority for the pass-through grants, these grants are biennial appropriations and the following language allows prior biennium grant authority to continue into the 2007 biennium.

“All remaining federal pass-through grants appropriations, including reversion, for the 2005 biennium are authorized to continue and are appropriated in fiscal year 2006 and fiscal year 2007.”

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 719.35 | 6.25 | 4.62 | 730.22 | 7.25 | 0.50 | 727.10 | 727.10 |
| Personal Services | 32,162,994 | 3,587,539 | 1,460,096 | 37,210,629 | 3,689,743 | 2,638,938 | 38,491,675 | 75,702,304 |
| Operating Expenses | 14,894,825 | 3,486,124 | 1,658,984 | 20,039,933 | (562,971) | 1,238,965 | 15,570,819 | 35,610,752 |
| Equipment | 1,738,154 | 224,703 | (32,869) | 1,929,988 | 265,559 | (50,487) | 1,953,226 | 3,883,214 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits & Claims | 893,436 | 0 | 0 | 893,436 | 0 | 0 | 893,436 | 1,786,872 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 249,592 | 1,342,847 | 22,050 | 1,614,489 | (67,153) | 22,050 | 204,489 | 1,818,978 |
| Total Costs | \$49,939,001 | \$8,641,213 | \$3,108,261 | \$61,688,475 | \$3,325,178 | \$3,849,466 | \$57,113,645 | \$118,802,120 |
| General Fund | 18,499,006 | 2,068,880 | 1,701,647 | 22,269,533 | 1,601,934 | 2,379,657 | 22,480,597 | 44,750,130 |
| State/Other Special | 27,843,614 | 5,868,843 | 1,454,417 | 35,166,874 | 1,449,923 | 1,918,205 | 31,211,742 | 66,378,616 |
| Federal Special | 2,786,344 | 182,708 | (380,686) | 2,588,366 | 190,809 | (1,026,478) | 1,950,675 | 4,539,041 |
| Proprietary | 810,037 | 520,782 | 332,883 | 1,663,702 | 82,512 | 578,082 | 1,470,631 | 3,134,333 |
| Total Funds | \$49,939,001 | \$8,641,213 | \$3,108,261 | \$61,688,475 | \$3,325,178 | \$3,849,466 | \$57,113,645 | \$118,802,120 |

Agency Description

The Department of Justice, under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement, and public safety, as authorized in 2-15-501, MCA. The duties of the department include:

1. Providing legal representation for the state and its political subdivisions in criminal appeals
2. Providing legal services and counsel for the state, county and municipal agencies, and their officials
3. Enforcing Montana traffic laws and registering all motor vehicles
4. Enforcing state fire safety codes and regulations
5. Assisting local law enforcement agencies in bringing offenders to justice
6. Managing a statewide system of death investigations and providing scientific analyses of specimens submitted by law enforcement officials, coroners and state agencies
7. Maintaining and disseminating criminal justice information to authorized state, local, and other entities
8. Providing uniform regulation of all gambling activities in the state of Montana

Agency Highlights

| Department of Justice Major Budget Highlights | |
|--|--|
| ♦ The legislature: | <ul style="list-style-type: none"> • Approved funding of \$0.2 million to support the January 2006 license plate reissue • Approved funding to support the provisions of the Federal Patriot Act by adding 2.00 FTE and \$0.2 million • Added funding for additional prisoner per diem of \$1.3 million to pay for jail time for arrests for driving with a suspended drivers' license due to a DUI conviction or refusal to test for alcohol • Approved \$0.1 million and 1.00 FTE for a narcotics agent in Miles City • Provided support for the Montana Drug Task Force of \$1.5 million that was previously funded with federal funds from the Byrne grant and decreased federal funding by \$1.1 million |

- Fully funded the state's share of 50 percent of the county attorney payroll with an increase of \$0.4 million
- Added 5.00 FTE and \$0.9 million to support workload increases in the Forensic Lab
- Provided funding for HB 447 pay plan increase of \$3.1 million
- Added 1.00 FTE and \$0.1 million to support claims in water court adjudication
- Transferred the Office of Consumer Protection from the Department of Administration which included 8.75 FTE and \$1.0 million in funding
- Provided the Information Technology Services Division with 3.50 FTE and \$0.4 million to support information technology efforts
- Funded a criminal history data coordination effort for \$0.3 million
- Funded the installation of the Automated Accounting and Reporting System with \$1.1 million
- Provided funding for interest on borrowed funds for the reengineering and automation project of \$1.3 million
- Restored vacancy savings in the Highway Patrol for \$1.0 million
- Provided an increase of \$0.8 million for Homeland Security efforts
- Approved a transfer of \$1.4 million to the Department of Transportation related to the Montana Carrier Safety Assistance Program from the Highway Patrol
- Approved an appropriation of \$0.4 million in federal funds to take DNA samples from felons

Summary of Legislative Action

The legislature increased FTE by 7.75 in the 2007 biennium over the base budget. Total funding increased by \$18.8 million when comparing the 2007 biennium budget with the base budget. General fund increased by \$7.8 million, state special revenues increased by \$10.7 million, and federal funds decreased by \$1.0 million. The reasons for these changes are as follows:

The increase in general fund of \$7.8 million over the base budget is due to:

- 1) Motor Vehicle Division:
 - a. \$0.2 million for the delivery of an increased number of license plates due to the reissues as per 61-3-332(4)(b), MCA
 - b. Base adjustments \$0.3 million
 - c. Elimination of \$0.3 million in one-time costs
 - d. An increase of 2.00 FTE and \$0.2 million to support the federal Patriot Act
 - e. An increase of 1.00 FTE and \$0.1 million to provide an audit function related to new legislation that revised motor vehicle laws as per the provision of SB 285
- 2) Highway Patrol Division received prisoner per diem of \$1.3 million to pay for jail time for arrests for driving with a suspended drivers license due to a DUI conviction or the refusal to take a test to detect the presence of alcohol as per the provisions of HB 99
- 3) Division of Criminal Investigations:
 - a. \$0.1 million and 1.00 FTE for a narcotics agent in Miles City
 - b. Funding for replacement vehicles of \$0.2 million
 - c. Support for the Montana Drug Task Force of \$1.5 million and 1.00 FTE that was previously funded with federal funds from the Byrne grant
- 4) County attorney payroll received an increase of \$0.4 million
- 5) Forensic Science Division received \$0.9 million and 5.00 FTE to support workload increases in the lab
- 6) Information Technology Services Division has a transfer approved of 3.52 FTE and \$0.4 million from general fund to state special revenue to adhere to the statewide FTE reduction

- 7) HB 447 pay plan increase of \$1.3 million
- 8) Statewide present law adjustments

Increases in state special funds of \$10.7 million over the base budget are due to:

- 1) Legal Services Division received an increase of 1.00 FTE and \$0.1 million to support claims in Water Court adjudication as per the provisions of HB 782 and HB 22
- 2) Office of Consumer Protection was transferred from the Department of Administration which included 8.75 FTE and \$1.0 million in funding as per the provisions of HB 425
- 3) Information Technology Services Division:
 - a. An increase of 3.50 FTE and \$0.4 million to support work load increases and other information technology efforts
 - b. Continued funding for 1.00 FTE and \$0.1 million for a security and disaster recovery officer
 - c. Criminal history data coordination effort for \$0.3 million
 - d. A transfer of 3.52 FTE and \$0.4 million from general fund to state special revenue to adhere to the statewide FTE reduction
- 4) Gambling Control Division:
 - a. Funding for the installation of the Automated Accounting and Reporting System of \$1.1 million
 - b. Base adjustments in the Gambling Control Division of \$0.1 million
- 5) Motor Vehicle Division:
 - a. Interest on borrowed funds for the reengineering and automation project of \$1.3 million
 - b. Base adjustments in the Motor Vehicle Division of \$0.2 million
- 6) Highway Patrol Division:
 - a. Base adjustments of \$2.0 million
 - b. Restoration of vacancy savings of \$1.0 million as per the provisions of HB 35
- 7) Division of Criminal Investigation:
 - a. Loss of county contributions related to the support of the Federally funded drug task force of \$0.2 million
 - b. Law Enforcement Academy base adjustments of \$0.4 million
- 8) HB 447 pay plan increase of \$1.8 million
- 9) Statewide present law adjustments

A decrease of \$1.0 million in federal funds from the base budget is mostly due to:

- 1) Division of Criminal Investigation:
 - a. A decrease due to the loss of the Byrne grant that funded the Montana drug task force of \$1.2 million
 - b. An increase of \$0.8 million for Homeland Security efforts
- 2) Forensic Lab received an increase for DNA samples from felons of \$0.4 million as per the provisions of HB 113
- 3) Highway Patrol Division transferred 1.4 and the Montana Carrier Safety Assistance Program to the Department of Transportation
- 4) Various divisions had decreases that totaled 6.75 FTE and \$0.6 million related to expired federal grants
- 5) Statewide present law adjustments

Agency Discussion

Motor Vehicle Reengineering and Information Technology Project

The Project

The Motor Vehicle Division (MVD), with the assistance of the Information Technology Services Division (ITSD), is undergoing a process to upgrade the MVD's business processes and supporting technology. This project is referred to as the TEAM 261 project. This project is working on the following four functions: vehicle titling, vehicle registration, driver records and control, and driver licensing. Currently, MVD has many manual work processes. The project intends to either change the way that this work is accomplished in order make it more efficient and less costly or automate the process. The project also intends to institute best practices to many of the current processes.

The Process

As the figure illustrates, there are two stages of the project, the reengineering stage and the information technology stage. During the reengineering stage, each of the four functions will proceed through five tasks. The first task is referred to as the start-up task. This is where the project team meets to map out what needs to be accomplished to begin the process. The second task is called the "As Is" task. During this task the project team maps out how work is currently being accomplished in the function. The third task is the "To Be" task, which designs how the work will be done in the future. The planning task takes the work accomplished in the To Be task and designs the new workflow processes and maps out how technology will be applied to these processes. The new workflow process is put to work in the implementation task. Finally, new information technology is first planned for and then applied to the functions to complete the project.

Figure 1
Department of Justice - Motor Vehicle Division
Reengineering and Information Technology Program

| Function | TIME LINE | | | | | Information Technology Stage | |
|----------------------------|-----------|----------|----------|----------|----------------|------------------------------|------------------|
| | Start Up | As - Is | To - Be | Planning | Implementation | Definition (2) | Apply Technology |
| Vehicle Titling | N/A | Complete | Complete | Complete | Complete | 05/20/05 | 07/01/07 |
| Vehicle Registration | N/A | Complete | Complete | Complete | (1) | 05/20/05 | 07/01/07 |
| Driver Records and Control | Complete | Complete | Complete | Complete | (1) | 06/30/05 | 07/01/07 |
| Driver Licensing | Complete | Complete | 06/30/05 | 06/30/05 | (1) | 06/30/05 | 07/01/07 |

Notes: (1) Merged with Information Technology "Definition" Stage

(2) "System Requirement Definition" task of the Information Technology Stage

| APPROPRIATION | |
|---------------|--------------|
| HB 577 | \$4,500,000 |
| HB 261 | 18,000,000 |
| Total | \$22,500,000 |

| PROJECT COMPLETION | Expended | | Percent Complete |
|------------------------------------|-------------|------------|------------------|
| | Dollars | Percentage | |
| Project completion at 12/31/04 | \$6,878,880 | 30.6% | 28.0% |
| Remaining to be complete by 7/1/07 | 15,621,120 | 69.4% | 72.0% |

| ESTIMATED BORROWING COSTS | |
|---------------------------|-------------|
| HB 577 | \$660,000 |
| HB 261 | 3,900,000 |
| Total | \$4,560,000 |

| | |
|--------------------|--------------|
| TOTAL PROJECT COST | \$27,060,000 |
|--------------------|--------------|

Expected Completion Dates

The figure indicates that the vehicle titling tasks are complete and the vehicle registrations and drivers records and control tasks are to be completed by June 30, 2005. The driver licensing function is not scheduled to be completed until June 30, 2006. All information technology applications are expected to be completed by July 1, 2007. The figure also indicates that the project has expended approximately 31 percent of its funding and is 28 percent complete.

Funding

The project is funded with special revenue funds that include a \$4.00 increase in lien filing fees on vehicles and a \$5.00 increase in titling fees. The cost of the project is expected to be \$27.1 million. This amount includes \$4.5 million from HB 577 as passed by the 2001 Legislature, and \$18 million from HB 261 as passed by the 2003 Legislature. The interest on the loans is expected to be \$4.6 million. Funding for interest must be approved by the legislature for the biennium in which the payments are made.

Legislative Issue

The 59th Legislature attempted to gain a clear understanding of the project's expected completion date and total cost. However, the project's management could not provide this information during subcommittee hearings. Further, project

management cannot provide a clear expectation that the project will be able to accomplish all that it is intended to accomplish at the current level of funding provided to the project. Project management's intent is to do as much as possible with the funding that was provided by the legislature and to seek out other sources of funds, such as federal grants. However, project management does not know at this time what tasks will not be accomplished or if the project will be able to afford the appropriate technology to support MVD's processes.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | | |
|--|---------------|---------------|--------------|--------------|----------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Proprietary | Grand Total | Total % |
| 01 Legal Services Division | \$ 7,799,336 | \$ 755,414 | \$ 898,683 | \$ - | \$ 9,453,433 | 8.0% |
| 02 Office Of Consumer Protection | 2,185 | 1,035,799 | - | - | 1,037,984 | 0.9% |
| 07 Gambling Control Division | - | 5,500,388 | - | 2,156,039 | 7,656,427 | 6.4% |
| 12 Motor Vehicle Division | 11,675,548 | 9,159,081 | - | 837,500 | 21,672,129 | 18.2% |
| 13 Highway Patrol Division | 1,338,185 | 41,973,521 | 294,671 | - | 43,606,377 | 36.7% |
| 18 Div. Of Criminal Investigation | 7,595,197 | 3,106,102 | 2,576,137 | - | 13,277,436 | 11.2% |
| 19 County Attorney Payroll | 3,873,832 | - | - | - | 3,873,832 | 3.3% |
| 28 Central Services Division | 720,944 | 1,124,164 | - | 114,152 | 1,959,260 | 1.6% |
| 29 Information Technology Service | 6,056,400 | 3,117,739 | 167,868 | 26,642 | 9,368,649 | 7.9% |
| 32 Forensic Science Division | 5,688,503 | 606,408 | 601,682 | - | 6,896,593 | 5.8% |
| Grand Total | \$ 44,750,130 | \$ 66,378,616 | \$ 4,539,041 | \$ 3,134,333 | \$ 118,802,120 | 100.0% |

Other Legislation

House Bill 35 – This bill provided salary increases for both existing and new highway patrol officers, provided a funding mechanism to pay for these increases, and exempted the highway patrol from vacancy savings for certain authorized positions. The funding mechanism is a \$5.00 increase on vehicle registration.

House Bill 87 – This bill transfers the fleet vehicle registration from the Department of Transportation to the Department of Justice.

House Bill 99 – This bill provides the Highway Patrol Division with general fund of \$573,623 in FY 2006 and \$764,562 in FY 2007 for prisoner per diem when a patrol makes an arrest for driving with a suspended license that resulted from: 1) the person's conviction of a DUI; or 2) the person's refusal to take a breath or blood test upon request of an officer when there is suspicion that alcohol is present.

House Bill 102 – This bill deposits certain fees accessed on vehicles and driver's licenses to the general fund and statutorily appropriates amounts from the general fund to pay certain supplemental benefits under the Montana Highway Patrol Officer's Retirement Pension Trust. This bill also transfers the balance remaining in the state special revenue account to the Highway Patrol Officer's Retirement Pension Trust Fund to the general fund by July 1, 2005.

House Bill 113 – This bill requires that all felons submit to a DNA sample and authorizes the use of previously collected samples. HB 2 provided an appropriation of federal funds to the forensic lab to fund this process.

House Bill 192 – This bill revises laws governing commercial driver's licenses to comply with regulations issued by the federal motor vehicle carrier safety administration of the Department of Transportation and the Transportation Security Administration of the Department of Homeland Security. HB 2 provided an appropriation to pay for programming costs.

House Bill 425 – This bill transferred the Office of Consumer Affairs from the Department of Administration to the Department of Justice. This transfer included 8.75 FTE and \$992,000 in state special revenue and a minor amount of general fund.

House Bill 541 – This bill allows for the permanent registration of certain motor homes. The Department of Justice was provided funding to make changes in programming of routines necessary to enforce the provisions of this bill.

House Bill 671 – This bill revises the motor vehicle laws in general and automates and simplifies certain processes in the motor vehicle division. The legislature provided proprietary funding to the Department of Justice for operation, maintenance, and enhancement of the Motor Vehicle Division's electronic commerce, including payments to third party vendors.

House Bill 782 – This bill provides that the attorney general intervene in the proceeding before the water court on issue remarks that have not been resolved. The legislature approved 1.00 FTE and state special revenue of \$49,000 in FY 2006 and \$49,000 in FY 2007 for the Legal Services Division to provide intervener services in water court claims primarily where examination indicates abandonment or non-perfection of water rights. The state special revenue is from interest earned on the resource indemnity trust fund that is not appropriated to another function.

Senate Bill 282 – This bill revised the law prohibiting racial profiling by requiring written policies and complaint procedures and training for law enforcement officers. The Law Enforcement Academy within the Department of Justice was provided funding to develop and conduct training classes on racial profiling.

Senate Bill 285 – This bill revises motor vehicle laws. The Department of Justice was provided general fund to support 1.00 FTE and operating costs to provide audit services in the Motor Vehicle Division as required by the legislation.

Senate Bill 423 – This bill revise laws governing the issuing of certain driver's licenses after revocation, and alcohol interlock ignition devices laws. The Department of Justice was provided funding to make changes in programming of routines necessary to enforce the provisions of this bill.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
|---------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| FTE | 719.35 | 711.97 | 730.22 | 18.25 | 709.83 | 727.10 | 17.27 | |
| Personal Services | 32,162,994 | 35,219,096 | 37,210,629 | 1,991,533 | 35,205,378 | 38,491,675 | 3,286,297 | 5,277,830 |
| Operating Expenses | 14,894,825 | 18,454,869 | 20,039,933 | 1,585,064 | 14,305,307 | 15,570,819 | 1,265,512 | 2,850,576 |
| Equipment | 1,738,154 | 1,929,988 | 1,929,988 | 0 | 1,953,226 | 1,953,226 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits & Claims | 893,436 | 893,436 | 893,436 | 0 | 893,436 | 893,436 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 249,592 | 2,554,489 | 1,614,489 | (940,000) | 204,489 | 204,489 | 0 | (940,000) |
| Total Costs | \$49,939,001 | \$59,051,878 | \$61,688,475 | \$2,636,597 | \$52,561,836 | \$57,113,645 | \$4,551,809 | \$7,188,406 |
| General Fund | 18,499,006 | 21,276,103 | 22,269,533 | 993,430 | 19,702,668 | 22,480,597 | 2,777,929 | 3,771,359 |
| State/Other Special | 27,843,614 | 33,902,247 | 35,166,874 | 1,264,627 | 29,366,120 | 31,211,742 | 1,845,622 | 3,110,249 |
| Federal Special | 2,786,344 | 2,863,202 | 2,588,366 | (274,836) | 2,595,992 | 1,950,675 | (645,317) | (920,153) |
| Proprietary | 810,037 | 1,010,326 | 1,663,702 | 653,376 | 897,056 | 1,470,631 | 573,575 | 1,226,951 |
| Total Funds | \$49,939,001 | \$59,051,878 | \$61,688,475 | \$2,636,597 | \$52,561,836 | \$57,113,645 | \$4,551,809 | \$7,188,406 |

The legislative budget has 18.25 FTE in FY 2006 and 17.27 FTE in FY 2007 more than the executive budget. The legislative budget is \$2.6 million greater than the executive budget in FY 2006 and \$4.6 million greater than the executive budget in FY 2007. The major changes enacted by the legislature compared to the executive budget include:

- o General fund of \$101,180 in FY 2006 and \$95,138 in FY 2007 and 2.00 FTE in the motor vehicle division to support the provisions of the Patriot Act

- State special revenue from excess funds in the resource indemnity trust were provided to fund 1.00 FTE and \$49,000 in each fiscal year to provide legal services for water rights adjudication claims
- The legislature approved the transfer of the Office of Consumer Protection from the Department of Administration that included 8.50 FTE and \$0.5 million in each fiscal year
- The legislature did not approve general fund of \$1.1 million to fund an accounting and reporting system for the Gambling Control Division but did approve funding of \$0.7 in state special revenue from gambling machine license fees and \$0.4 million in proprietary funds from liquor license fees for this effort
- A reduction was approved in state special revenue for interest expense associated with HB 577 borrowings by \$0.1 million and for HB 261 borrowings by \$0.8 million for the biennium
- The legislature approved the request by Montana Association of Counties and certain county attorneys to increase the funding that the state contributes to the county attorney payroll by \$103,365 in FY 2006 and \$151,095 in FY 2007
- The legislature approved a fund switch to support the Montana drug task force. This action approved 1.00 FTE and general fund of \$754,995 in FY 2006 and 1.00 FTE and \$754,813 in FY2007, while decreasing state special revenue by \$85,229 in FY 2006 and \$85,194 in FY 2007, and decreasing federal funds by \$612,796 for FY 2006 and \$612,848 for FY 2007
- The legislature did not approve 1.00 FTE and \$75,894 in state special revenues and \$177,086 in federal funds for each fiscal year to support the Montana drug task force but did approve general fund for this effort as noted in the item above
- General fund of \$0.6 million in FY 2006 and \$0.8 million in FY 2007 was approved to provide prisoner per diem for arrests made when offenders are driving with a suspended licenses because of a DUI conviction or failure to test for alcohol at the time of an arrest
- The legislature approved \$250,000 in state special revenue in FY 2006 to implement the Criminal History and Identification system
- The legislature approved a biennial appropriation of \$409,480 in FY 2006 in federal funds to support the requirement that felons submit DNA samples
- The legislature approved proprietary funds of \$262,500 in FY 2006 and \$525,000 in FY 2007 to support and enhance web access portal to the motor vehicle system in accordance with the provisions of House Bill No. 671
- The legislature approved HB 447 for an increase in the pay plan of \$1.4 million in general fund, \$1.8 million in state special revenues, and \$0.1 million in federal funds

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 50.00 | 0.00 | 1.00 | 51.00 | 0.00 | 1.00 | 51.00 | 51.00 |
| Personal Services | 2,722,749 | 191,097 | 131,982 | 3,045,828 | 189,006 | 263,825 | 3,175,580 | 6,221,408 |
| Operating Expenses | 881,923 | 37,855 | 1,687 | 921,465 | (360,043) | 1,808 | 523,688 | 1,445,153 |
| Benefits & Claims | 893,436 | 0 | 0 | 893,436 | 0 | 0 | 893,436 | 1,786,872 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$4,498,108 | \$228,952 | \$133,669 | \$4,860,729 | (\$171,037) | \$265,633 | \$4,592,704 | \$9,453,433 |
| General Fund | 3,695,876 | 275,197 | 72,622 | 4,043,695 | (125,597) | 185,362 | 3,755,641 | 7,799,336 |
| State/Other Special | 339,667 | (26,133) | 57,185 | 370,719 | (25,243) | 70,271 | 384,695 | 755,414 |
| Federal Special | 462,565 | (20,112) | 3,862 | 446,315 | (20,197) | 10,000 | 452,368 | 898,683 |
| Total Funds | \$4,498,108 | \$228,952 | \$133,669 | \$4,860,729 | (\$171,037) | \$265,633 | \$4,592,704 | \$9,453,433 |

Program Description

The Legal Services Division provides:

- 1) The Attorney General with legal research and analysis
- 2) Legal counsel for state government officials, bureaus and boards
- 3) Legal assistance to local governments and Indian tribes
- 4) Legal assistance, training and support for county prosecutors
- 5) Assistance to victims of crime, including compensation payments

County Prosecutor Services provides special prosecution assistance to counties in the prosecution and disposition of major felonies and in cases in which county attorneys or city attorneys have conflicts of interest. County Prosecutor Services also provides prosecutor services to the Eastern Coal Counties Drug Task Force and the Western Montana Special Investigation Section and coordinates training and continuing legal education for county attorneys, city attorneys, and law enforcement personnel.

The Appellate Legal Services Bureau is responsible for representing the state in all criminal appeals and responds to all habeas corpus and post conviction proceedings where federal and state courts order the state to defend the legality of convictions.

The Civil Services Bureau defends the state in constitutional challenges and coordinates appeals of civil cases that involve the state. This bureau also provides legal assistance to state and local governments on matters involving Indian jurisdiction, federal reserved water rights, election law, antitrust, conflicts of interest and open meetings.

Office of Victim Services and Restorative Justice is a consolidated effort to elevate the status and respond to the needs of victims of crime in Montana. The office also provides the cross training and coordination with local law enforcement to more fully address the broad needs of victims.

Program Highlights

Department of Justice Legal Services Division Major Budget Highlights

- ◆ Total funding increases by \$0.5 million over the base budget mostly due to:
 - Increase of 1.00 FTE and \$0.1 million to support claims in Water Court adjudication
 - \$0.3 million for the HB 447 pay plan adjustment
 - Statewide present law adjustments

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Legal Services Division | | | | | | | |
|--|--------------------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 3,695,876 | 82.2% | \$ 4,043,695 | 83.2% | \$ 3,755,641 | 81.8% |
| | 01100 General Fund | 3,695,876 | 82.2% | 4,043,695 | 83.2% | 3,755,641 | 81.8% |
| 02000 | Total State Special Funds | 339,667 | 7.6% | 370,719 | 7.6% | 384,695 | 8.4% |
| | 02003 Misc Grants And Nrd | 120,615 | 2.7% | 172,123 | 3.5% | 176,945 | 3.9% |
| | 02013 Continuing Legal Education | 6,216 | 0.1% | 6,215 | 0.1% | 6,215 | 0.1% |
| | 02074 Gambling License Fee Account | 174,358 | 3.9% | 151,600 | 3.1% | 159,460 | 3.5% |
| | 02337 Antitrust Activity | 2,088 | 0.0% | 2,088 | 0.0% | 2,088 | 0.0% |
| | 02422 Highways Special Revenue | 36,390 | 0.8% | 38,693 | 0.8% | 39,987 | 0.9% |
| 03000 | Total Federal Special Funds | 462,565 | 10.3% | 446,315 | 9.2% | 452,368 | 9.8% |
| | 03169 Federal Crime Victims Benefits | 309,000 | 6.9% | 309,000 | 6.4% | 309,000 | 6.7% |
| | 03187 Bcc Grants To Dept. Of Justice | 52,175 | 1.2% | 52,087 | 1.1% | 54,209 | 1.2% |
| | 03801 Dept Of Justice-Misc Grants | 101,390 | 2.3% | 85,228 | 1.8% | 89,159 | 1.9% |
| Grand Total | | <u>\$ 4,498,108</u> | <u>100.0%</u> | <u>\$ 4,860,729</u> | <u>100.0%</u> | <u>\$ 4,592,704</u> | <u>100.0%</u> |

This program is primarily funded with general fund.

State special funds are provided by the following entities:

- Montana State Fund pays for one attorney
- The Department of Fish Wildlife and Parks pays for one-half of an attorney
- The Gambling Control Division pays for two attorneys with gambling funds
- The gas tax pays for the services of one-half of an attorney's time to work on Highway Patrol and Motor Vehicle Division issues
- Antitrust fund revenues pay for antitrust expenditures
- Excess funds in the resource indemnity trust fund pay for one attorney for water claims adjudication

Federal funds support one attorney that works on statewide drug cases and 25 percent of the funding for the Child Protection Unit.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-----------------------|-------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 330,925 | | | | | 328,765 |
| Vacancy Savings | | | | | (117,938) | | | | | (117,869) |
| Inflation/Deflation | | | | | (4,933) | | | | | (4,773) |
| Fixed Costs | | | | | 31,081 | | | | | 33,023 |
| Total Statewide Present Law Adjustments | | | | | \$239,135 | \$239,146 | | | | |
| DP 111 - Major litigation biennial appropriation | 0.00 | 11,707 | 0 | 0 | 11,707 | 0.00 | (388,293) | 0 | 0 | (388,293) |
| DP 112 - Exempt staff pay raise reduction | 0.00 | (21,890) | 0 | 0 | (21,890) | 0.00 | (21,890) | 0 | 0 | (21,890) |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | (\$10,183) | \$0 | \$0 | (\$10,183) | 0.00 | (\$410,183) | \$0 | \$0 | (\$410,183) |
| Grand Total All Present Law Adjustments | | | | | \$228,952 | (\$171,037) | | | | |

DP 111 - Major litigation biennial appropriation - The legislature approved a biennial appropriation of \$400,000 for major litigation services for the 2007 biennium.

DP 112 - Exempt staff pay raise reduction - The legislature reduced funding for exempt staff pay raises awarded in the 2005 biennium to the FY 2004 base level.

New Proposals

| New Proposals | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 335 - Water Court Claims (Biennial/OTO) | | | | | | | | | | |
| 01 | 1.00 | 0 | 49,000 | 0 | 49,000 | 1.00 | 0 | 49,000 | 0 | 49,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 72,622 | 8,185 | 3,862 | 84,669 | 0.00 | 185,362 | 21,271 | 10,000 | 216,633 |
| Total | 1.00 | \$72,622 | \$57,185 | \$3,862 | \$133,669* | 1.00 | \$185,362 | \$70,271 | \$10,000 | \$265,633* |

DP 335 - Water Court Claims (Biennial/OTO) - The legislature approved 1.00 FTE and state special revenue of \$49,000 in FY 2006 and \$49,000 in FY 2007 for the Legal Services Division to provide intervener services in water court claims primarily where examination indicates abandonment or non-perfection of water rights. The state special revenue is provided by funds in excess of the constitutionally mandated \$100 million in the resource indemnity trust fund.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 8.75 | 0.00 | 0.00 | 8.75 | 0.00 | 0.00 | 8.75 | 8.75 |
| Personal Services | 291,909 | 104,607 | 12,117 | 408,633 | 105,326 | 31,721 | 428,956 | 837,589 |
| Operating Expenses | 113,020 | (12,633) | 0 | 100,387 | (13,012) | 0 | 100,008 | 200,395 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$404,929 | \$91,974 | \$12,117 | \$509,020 | \$92,314 | \$31,721 | \$528,964 | \$1,037,984 |
| General Fund | 1,400 | (615) | 0 | 785 | 0 | 0 | 1,400 | 2,185 |
| State/Other Special | 403,529 | 92,589 | 12,117 | 508,235 | 92,314 | 31,721 | 527,564 | 1,035,799 |
| Total Funds | \$404,929 | \$91,974 | \$12,117 | \$509,020 | \$92,314 | \$31,721 | \$528,964 | \$1,037,984 |

Program Description

The Office of Consumer Affairs advocates on the behalf of Montana consumers in matters of unfair or deceptive acts in the conduct of any business. The office investigates consumer complaints and provides an informal mediation process for consumer complaints against businesses. The office enforces Montana consumer protection laws and regulations relating to telemarketing, personal solicitation of sales, the New Motor Vehicle Warranty, Consumer Protection, and Unfair Trade Practices Acts.

Program Highlights

**Department of Justice
Office of Consumer Protection
Major Budget Highlights**

- ◆ This office was transferred from the Department of Administration

Funding

The Office of Consumer Affairs is funded from the general fund and state special revenue funds.

| Program Funding Table Office Of Consumer Protection | | | | | | | |
|--|-------------------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,400 | 0.3% | \$ 785 | 0.2% | \$ 1,400 | 0.3% |
| | 01100 General Fund | 1,400 | 0.3% | 785 | 0.2% | 1,400 | 0.3% |
| 02000 | Total State Special Funds | 403,529 | 99.7% | 508,235 | 99.8% | 527,564 | 99.7% |
| | 02140 Consumer Education Settlement | 403,529 | 99.7% | 508,235 | 99.8% | 527,564 | 99.7% |
| Grand Total | | \$ 404,929 | 100.0% | \$ 509,020 | 100.0% | \$ 528,964 | 100.0% |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 121,133 | | | | | 121,882 |
| Vacancy Savings | | | | | (16,526) | | | | | (16,556) |
| Inflation/Deflation | | | | | (504) | | | | | (503) |
| Fixed Costs | | | | | (42,508) | | | | | (42,879) |
| Total Statewide Present Law Adjustments | | | | | \$61,595 | \$61,944 | | | | |
| DP 301 - Indirect/Administrative Costs | | | | | | | | | | |
| | 0.00 | 0 | 30,379 | 0 | 30,379 | 0.00 | 0 | 30,370 | 0 | 30,370 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$0 | \$30,379 | \$0 | \$30,379 | 0.00 | \$0 | \$30,370 | \$0 | \$30,370 |
| Grand Total All Present Law Adjustments | | | | | \$91,974 | \$92,314 | | | | |

DP 301 - Indirect/Administrative Costs - The legislature approved state special revenue to fund increases in indirect cost payments for services received from other proprietary funded centralized service functions of the agency.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 02 | 0.00 | 0 | 12,117 | 0 | 12,117 | 0.00 | 0 | 31,721 | 0 | 31,721 |
| Total | 0.00 | \$0 | \$12,117 | \$0 | \$12,117* | 0.00 | \$0 | \$31,721 | \$0 | \$31,721* |

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Description

Agency Legal Services Bureau (ALSB) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALSB attorneys and investigators bill clients for their services and case-related and incidental costs. ALSB has 20 FTE funded from the revenues generated. The Attorney General is the legal officer for the state per Article VI, Section 4(4), of the Montana Constitution. Montana Code Annotated § 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

Proprietary Program Description

The Attorney General is the legal officer for the state per Article VI, Section 4(4), Montana Constitution. Montana Code Annotated 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

State agencies have the option to use in-house or private counsel and investigators to do the work provided by ALSB. Private law firms, however, typically charge considerably more per hour than ALSB, and ALSB attorneys and investigators have specific knowledge and experience that agencies find beneficial. According to Executive Order 5-93, agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, the Budget Director, and the Governor's Chief Legal Counsel) prior to contracting for outside legal services.

ALSB serves State of Montana agencies, boards, and commissions that have entered contracts with ALSB.

Proprietary Revenues and Expenses*Working Capital Discussion*

The objective of program management is to recover costs only to fund necessary, ongoing operations.

Fund Equity and Reserved Fund Balance

While there is no requirement that an excess fund balance be maintained, the program management seeks to build a limited capital reserve fund. Rates are influenced by the working capital necessary to maintain current operations.

Cash Flow Discussion

Cash flow into the program fluctuates depending on the volume of work in any given month, which can vary considerably.

Proprietary Rate Explanation

The legislature approved a rate increase for attorney services from \$71.80 per hour in FY 2006 to \$74.00 per hour in FY 2007. The FY 2006 rate was unchanged from the 2005 biennium rate. The legislature also approved a rate increase for investigator services (sometimes referred to as paralegal services) from \$39.80 per hour in FY 2005 to \$44.00 per hour in FY 2006 and to \$46.00 per hour in FY 2007.

These rates are based upon the amount of caseload expected to be accomplished by the agency and the actual costs to provide services.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 43.50 | 0.00 | 1.00 | 44.50 | 0.00 | 1.00 | 44.50 | 44.50 |
| Personal Services | 2,075,704 | 73,489 | 122,194 | 2,271,387 | 74,086 | 227,225 | 2,377,015 | 4,648,402 |
| Operating Expenses | 548,712 | 1,570,497 | 45,000 | 2,164,209 | 71,374 | 45,000 | 665,086 | 2,829,295 |
| Equipment | 85,062 | 0 | 0 | 85,062 | 0 | 0 | 85,062 | 170,124 |
| Debt Service | 4,303 | 0 | 0 | 4,303 | 0 | 0 | 4,303 | 8,606 |
| Total Costs | \$2,713,781 | \$1,643,986 | \$167,194 | \$4,524,961 | \$145,460 | \$272,225 | \$3,131,466 | \$7,656,427 |
| General Fund | 464 | (464) | 0 | 0 | (464) | 0 | 0 | 0 |
| State/Other Special | 1,929,137 | 1,167,560 | 148,183 | 3,244,880 | 103,606 | 222,765 | 2,255,508 | 5,500,388 |
| Proprietary | 784,180 | 476,890 | 19,011 | 1,280,081 | 42,318 | 49,460 | 875,958 | 2,156,039 |
| Total Funds | \$2,713,781 | \$1,643,986 | \$167,194 | \$4,524,961 | \$145,460 | \$272,225 | \$3,131,466 | \$7,656,427 |

Program Description

The Gambling Control Division was established by the 1989 Legislature to regulate the gambling industry in Montana. The division has criminal justice authority and conducts routine field inspections and investigations related to gambling activities. In addition to collecting and distributing licensing fees for gambling machines and activities, the division collects the gambling tax assessed on the net proceeds of gambling activities. It conducts investigations related to alcoholic beverage licensing and tobacco enforcement. An appointed Gaming Advisory Council of nine members advises the Attorney General to ensure uniform statewide regulation of gambling activities. State law mandates the gambling control program.

Program Highlights

| Department of Justice Gambling Control Division Major Budget Highlights | |
|--|---|
| ♦ | State special revenue increases by \$1.6 million over the base budget mostly due to: <ul style="list-style-type: none"> • Funding for the installation of the Automated Accounting and Reporting System of \$1.1 million • Base adjustments of \$0.1 million • Statewide present law adjustments |
| ♦ | Proprietary funds increase by \$0.6 million over the base budget mostly due to: <ul style="list-style-type: none"> • Funding for the installation of the Automated Accounting and Reporting System of \$0.4 million • Base adjustments \$0.1 million |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Gambling Control Divisio | | | | | |
|-----------------|------------------------------------|---|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 464 | 0.0% | \$ - | - | \$ - | - |
| | 01100 General Fund | 464 | 0.0% | - | - | - | - |
| 02000 | Total State Special Funds | 1,929,137 | 71.1% | 3,244,880 | 71.7% | 2,255,508 | 72.0% |
| | 02074 Gambling License Fee Account | 1,929,137 | 71.1% | 3,244,880 | 71.7% | 2,255,508 | 72.0% |
| 06000 | Total Proprietary Funds | 784,180 | 28.9% | 1,280,081 | 28.3% | 875,958 | 28.0% |
| | 06005 Liquor Division | 784,180 | 28.9% | 1,280,081 | 28.3% | 875,958 | 28.0% |
| Grand Total | | <u>\$ 2,713,781</u> | <u>100.0%</u> | <u>\$ 4,524,961</u> | <u>100.0%</u> | <u>\$ 3,131,466</u> | <u>100.0%</u> |

Primary funding for the Gambling Division comes from the revenues generated through licenses and permits for gambling operations, machines, and other gambling activities, as well as license fees for video gambling machine manufactures/distributors. As authorized in 23-5-612, MCA, revenues include 50 percent of the gambling machine permit fee (the other 50 percent goes to the local government) and 100 percent of the machine transfer-processing fee. By statute, the department is to charge \$200 for each video gambling machine permit and \$25 for each machine that transfers ownership. The revenues are deposited into the gambling license fee state special revenue account to be used to operate the division and other agency programs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|--------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 167,969 | | | | | 168,590 |
| Vacancy Savings | | | | (89,749) | | | | | (89,773) |
| Inflation/Deflation | | | | (5,451) | | | | | (5,450) |
| Fixed Costs | | | | 9,592 | | | | | 10,468 |
| Total Statewide Present Law Adjustments | | | | \$82,361 | | | | | \$83,835 |
| DP 3 - Enhancement of GCD Database and Business Processes | | | | | | | | | |
| 0.00 | 0 | 1,065,000 | 0 | 1,500,000* | 0.00 | 0 | 0 | 0 | 0 |
| DP 4 - GCD Base Adjustments | | | | | | | | | |
| 0.00 | 0 | 51,728 | 0 | 72,856* | 0.00 | 0 | 51,728 | 0 | 72,856* |
| DP 71 - Exempt pay raise reduction | | | | | | | | | |
| 0.00 | 0 | (7,974) | 0 | (11,231)* | 0.00 | 0 | (7,974) | 0 | (11,231)* |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$1,108,754 | \$0 | \$1,561,625* | 0.00 | \$0 | \$43,754 | \$0 | \$61,625* |
| Grand Total All Present Law Adjustments | | | | \$1,643,986* | | | | | \$145,460* |

DP 3 - Enhancement of GCD Database and Business Processes - The legislature approved \$1.5 million in funding to reengineer certain business processes and implement new technology to improve service to taxpayers and licensees through an Automated Accounting and Reporting System (AARS). These improvements are intended to develop web entry and electronic payments of taxes and permit fees. This appropriation of \$1.5 million is biennial, restricted, and one-time-only and placed in FY 2006. The total is \$1,065,000 state special revenue and \$435,000 proprietary funds.

DP 4 - GCD Base Adjustments - The legislature approved an increase over base operating expenses to pay overtime to the technical services unit, annualize operating expenses for positions held vacant for all or part of the base year, provide authorization for out of country travel for the purpose of investigating license applications from foreign gambling machine manufactures, provide training to help in the conduct of investigations into illegal gambling, and provide for increases in rent expense to cover increases provided for in existing contracts.

DP 71 - Exempt pay raise reduction - The legislature reduced funding for exempt staff pay raises awarded in the 2005 biennium to the FY 2004 base level.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 5 - Change Appropriation for Lab Machine Testing | | | | | | | | | | |
| 07 | 1.00 | 0 | 56,512 | 0 | 56,512 | 1.00 | 0 | 56,446 | 0 | 56,446 |
| DP 6 - Request Authority To Pay ID Bureau | | | | | | | | | | |
| 07 | 0.00 | 0 | 45,000 | 0 | 45,000 | 0.00 | 0 | 45,000 | 0 | 45,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 07 | 0.00 | 0 | 46,671 | 0 | 65,682* | 0.00 | 0 | 121,319 | 0 | 170,779* |
| Total | 1.00 | \$0 | \$148,183 | \$0 | \$167,194* | 1.00 | \$0 | \$222,765 | \$0 | \$272,225* |

DP 5 - Change Appropriation for Lab Machine Testing - The legislature eliminated the statutory appropriation for the lab machine testing fees and transferred the position and related expense to the division's HB 2 appropriation. This is an appropriation of \$56,512 in FY 2006 and \$56,446 in FY 2007.

DP 6 - Request Authority To Pay ID Bureau - The legislature approved authority to pay the Identification Bureau to process fingerprint cards for license applicant background checks.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 151.00 | 2.00 | 2.00 | 155.00 | 2.00 | 2.00 | 155.00 | 155.00 |
| Personal Services | 4,510,760 | 662,927 | 253,487 | 5,427,174 | 660,604 | 552,094 | 5,723,458 | 11,150,632 |
| Operating Expenses | 3,898,236 | 73,737 | 392,150 | 4,364,123 | (77,128) | 570,480 | 4,391,588 | 8,755,711 |
| Equipment | 36,616 | (3,801) | 0 | 32,815 | (28,801) | 0 | 7,815 | 40,630 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 224,731 | 1,342,847 | 0 | 1,567,578 | (67,153) | 0 | 157,578 | 1,725,156 |
| Total Costs | \$8,670,343 | \$2,075,710 | \$645,637 | \$11,391,690 | \$487,522 | \$1,122,574 | \$10,280,439 | \$21,672,129 |
| General Fund | 4,925,852 | 687,947 | 240,529 | 5,854,328 | 504,047 | 391,321 | 5,821,220 | 11,675,548 |
| State/Other Special | 3,744,491 | 1,387,763 | 92,608 | 5,224,862 | (16,525) | 206,253 | 3,934,219 | 9,159,081 |
| Proprietary | 0 | 0 | 312,500 | 312,500 | 0 | 525,000 | 525,000 | 837,500 |
| Total Funds | \$8,670,343 | \$2,075,710 | \$645,637 | \$11,391,690 | \$487,522 | \$1,122,574 | \$10,280,439 | \$21,672,129 |

Program Description

The Motor Vehicle Division, under Title 61 and Title 23, MCA, and certain federal statutes, is responsible for:

- 1) Examination and licensure of all drivers
- 2) Creation and maintenance of permanent driver and motor vehicle records
- 3) Titling and registration of all vehicles including boats, snowmobiles and ATVs
- 4) Inspection and verification of vehicle identification numbers
- 5) Licensure and compliance control of motor vehicle dealers and manufacturers
- 6) Providing motor voter registration
- 7) Fleet vehicle registration

Program Highlights

| Department of Justice Motor Vehicle Division Major Budget Highlights | |
|---|---|
| ♦ | General fund increases by \$1.8 million over the base budget mostly due to: <ul style="list-style-type: none"> • Funding for the license plate reissue of \$0.2 million • Base adjustments of \$0.3 million • Elimination of \$0.3 million in one-time costs • An increase of 2.00 FTE and \$0.2 million to support the Patriot Act. • An increase of 1.00 FTE and \$0.1 million to provide an audit function related to new legislation • \$0.4 million for HB 447 pay plan increases • Statewide present law adjustments |
| ♦ | State special revenue increases by \$1.7 million over the base budget mostly due to: <ul style="list-style-type: none"> • Interest on borrowed funds for the reengineering and automation project of \$1.3 million • Base adjustments in the Motor Vehicle Division of \$0.2 million • \$0.3 million for HB 447 pay plan increases • Statewide present law adjustments |

- ◆ Proprietary funds increase by \$0.8 million due to funding for operating costs to support web portal access to the Motor Vehicle Division

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|------------------------------------|------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Motor Vehicle Division | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 4,925,852 | 56.8% | \$ 5,854,328 | 51.4% | \$ 5,821,220 | 56.6% |
| | 01100 General Fund | 4,925,852 | 56.8% | 5,854,328 | 51.4% | 5,821,220 | 56.6% |
| 02000 | Total State Special Funds | 3,744,491 | 43.2% | 5,224,862 | 45.9% | 3,934,219 | 38.3% |
| | 02225 Mvd Inform Tech System Hb577 | 67,153 | 0.8% | 210,000 | 1.8% | - | - |
| | 02422 Highways Special Revenue | 3,669,706 | 42.3% | 3,807,514 | 33.4% | 3,926,871 | 38.2% |
| | 02545 Organ Donor Registry | 7,632 | 0.1% | 7,348 | 0.1% | 7,348 | 0.1% |
| | 02798 Mvd It System - Hb261 | - | - | 1,200,000 | 10.5% | - | - |
| 06000 | Total Proprietary Funds | - | - | 312,500 | 2.7% | 525,000 | 5.1% |
| | 06080 Mvd/State Information Portal | - | - | 312,500 | 2.7% | 525,000 | 5.1% |
| Grand Total | | \$ 8,670,343 | 100.0% | \$ 11,391,690 | 100.0% | \$ 10,280,439 | 100.0% |

The Motor Vehicle Division is supported by the general fund, state special funds, and proprietary funds. State special funds come primarily from the Highway State Special Revenue Account. Proprietary funds are from temporary registration permit fees on vehicles and are used to support the operating costs for an enhanced motor vehicle web portal that allows 3rd party users to access the motor vehicle registration system.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------|--|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 796,711 | | | | | | 794,472 |
| Vacancy Savings | | | | (212,308) | | | | | | (212,196) |
| Inflation/Deflation | | | | (87,202) | | | | | | (87,214) |
| Fixed Costs | | | | 798 | | | | | | 7,131 |
| Total Statewide Present Law Adjustments | | | | \$497,999 | | | | | | \$502,193 |
| DP 8 - Base Adjustments MVD Field Operations Bureau | | | | | | | | | | |
| 2.00 | 86,048 | 57,366 | 0 | 143,414 | | 2.00 | 79,484 | 52,989 | 0 | 132,473 |
| DP 10 - Base Adjustments for HB 577 Debt Payments | | | | | | | | | | |
| 0.00 | 0 | 142,847 | 0 | 142,847 | | 0.00 | 0 | (67,153) | 0 | (67,153) |
| DP 11 - Required New General Issue License Plates - OTO | | | | | | | | | | |
| 0.00 | 192,470 | 0 | 0 | 192,470 | | 0.00 | 0 | 0 | 0 | 0 |
| DP 36 - Base Adjustments MVD Title and Registration Bureau | | | | | | | | | | |
| 0.00 | 41,198 | 27,465 | 0 | 68,663 | | 0.00 | 53,815 | 35,877 | 0 | 89,692 |
| DP 37 - Base Adjustments for HB 261 Debt Payments | | | | | | | | | | |
| 0.00 | 0 | 1,200,000 | 0 | 1,200,000 | | 0.00 | 0 | 0 | 0 | 0 |
| DP 121 - Eliminate OTO Organ Donor Registry | | | | | | | | | | |
| 0.00 | 0 | (7,632) | 0 | (7,632) | | 0.00 | 0 | (7,632) | 0 | (7,632) |
| DP 123 - HB261 One time backfill costs reduction | | | | | | | | | | |
| 0.00 | (40,205) | 0 | 0 | (40,205) | | 0.00 | (40,205) | 0 | 0 | (40,205) |
| DP 124 - Field Ops - One-time-only expenditure reduction | | | | | | | | | | |
| 0.00 | (43,045) | 0 | 0 | (43,045) | | 0.00 | (43,045) | 0 | 0 | (43,045) |
| DP 125 - Records/Drvs Control - one-time cost reduction | | | | | | | | | | |
| 0.00 | (28,801) | 0 | 0 | (28,801) | | 0.00 | (28,801) | 0 | 0 | (28,801) |
| DP 126 - Title & Regis. - One-time expenditure reduction | | | | | | | | | | |
| 0.00 | (50,000) | 0 | 0 | (50,000) | | 0.00 | (50,000) | 0 | 0 | (50,000) |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 2.00 | \$157,665 | \$1,420,046 | \$0 | \$1,577,711 | | 2.00 | (\$28,752) | \$14,081 | \$0 | (\$14,671) |
| Grand Total All Present Law Adjustments | | | | \$2,075,710 | | | | | | \$487,522 |

DP 8 - Base Adjustments MVD Field Operations Bureau - The legislature approved certain base budget adjustments in the Motor Vehicle Division – Field Operations Bureau, including 2.00 FTE as training and development specialists. The adjustment also includes funding for overtime, consulting services, computer processing, postage, rent vehicles repairs, and scanner maintenance contracts.

DP 10 - Base Adjustments for HB 577 Debt Payments - The legislature approved budget authority for interest payments on borrowed funds related to the Motor Vehicle System, Phase One, Titling System project (MVD Project) as provided by HB 577 passed by the 2001 Legislature.

DP 11 - Required New General Issue License Plates - OTO - The legislature approved a one-time-only present law base adjustment of \$192,470 in general fund for FY 2006. Montana State Prison Industries will also incur additional one-time costs generated by the new general issue license plates. Revenues received from the sale of the plates will offset these production costs. Section 61-3-332(4)(b), MCA, requires the manufacture and issuance of new general issue motor vehicle license plates beginning January 1, 2006.

DP 36 - Base Adjustments MVD Title and Registration Bureau - The legislature approved certain base budget adjustments in the Motor Vehicle Division – Title and Registration Bureau. This decision package increases the base by \$68,663 in FY 2006 and \$89,692 in FY 2007.

DP 37 - Base Adjustments for HB 261 Debt Payments - The legislature approved authority for interest payments on borrowed funds related to the HB 261 funded Motor Vehicle System, Phase Two, Vehicle Registration and Driver Licensing/Driver Control System project.

DP 121 - Eliminate OTO Organ Donor Registry - The legislature approved the elimination of the FY 2004 one-time-only startup organ donor registry expenses. Ongoing costs for the monthly updates to the organ donor registry are included in the present law budget.

DP 123 - HB261 One time backfill costs reduction - The legislature approved the removal of \$40,205 general fund from the base in FY 2006 and FY 2007 for funds to pay a contractor for supporting the HB 261 project. This project is the reengineering of processes and the installation of new technology in the motor vehicle titling and registration area. In FY 2004 the project hired contractors to support the project. For the 2007 biennium the positions are budgeted in HB 2 so contractor expenditures are not necessary.

DP 124 - Field Ops - One-time-only expenditure reduction - The legislature approved the removal of \$43,045 general fund in FY 2006 and FY 2007 for remodeling of the Billings driver licensing facility in FY 2004. This amount carried over to FY 2006 and FY 2007 because the remodeling was done in the base year.

DP 125 - Records/Drvs Control - one-time cost reduction - The legislature approved the removal of \$28,801 general fund in each of FY 2006 and FY 2007. These funds were in the FY 2004 base and used for a one-time purchase of modular workstations for a work area in the Records and Drivers Control Bureau.

DP 126 - Title & Regis. - One-time expenditure reduction - The legislature approved a reduction of \$50,000 general fund in each of FY 2006 and FY 2007 for the purchase of additional postage in the base year FY 2004. This purchase was to insure that an adequate amount of postage would be available for the next fiscal year and was a one-time-only expenditure for FY 2004. The 2007 biennium contains a postage request considered adequate for this period.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|---|--------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|--------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 12 - MV Proprietary Account Spending Authority | | | | | | | | | | |
| 12 | 0.00 | 0 | 0 | 0 | 50,000* | 0.00 | 0 | 0 | 0 | 0 |
| DP 127 - Statewide FTE Reduction | | | | | | | | | | |
| 12 | (1.00) | (32,418) | 0 | 0 | (32,418) | (1.00) | (32,329) | 0 | 0 | (32,329) |
| DP 306 - Patriot Act Support | | | | | | | | | | |
| 12 | 2.00 | 101,180 | 0 | 0 | 101,180 | 2.00 | 95,138 | 0 | 0 | 95,138 |
| DP 326 - Fleet Transfer from DOT | | | | | | | | | | |
| 12 | 0.00 | 0 | 7,348 | 0 | 7,348 | 0.00 | 0 | 7,348 | 0 | 7,348 |
| DP 328 - IIB 671 Proprietary | | | | | | | | | | |
| 12 | 0.00 | 0 | 0 | 0 | 262,500* | 0.00 | 0 | 0 | 0 | 525,000* |
| DP 329 - Senate Bill 285 Auditor | | | | | | | | | | |
| 12 | 1.00 | 47,813 | 0 | 0 | 47,813 | 1.00 | 44,837 | 0 | 0 | 44,837 |
| DP 330 - Programming Costs Motor Veh. Leg. (Restricted/OTO) | | | | | | | | | | |
| 12 | 0.00 | 15,192 | 10,128 | 0 | 25,320 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 12 | 0.00 | 108,762 | 75,132 | 0 | 183,894 | 0.00 | 283,675 | 198,905 | 0 | 482,580 |
| Total | 2.00 | \$240,529 | \$92,608 | \$0 | \$645,637* | 2.00 | \$391,321 | \$206,253 | \$0 | \$1,122,574* |

DP 12 - MV Proprietary Account Spending Authority - The legislature approved authority for proprietary funds to cover the cost of development, maintenance, and distribution of information in the state's motor vehicle and driver licensing database applications. This authorization was biennial and for \$50,000. The 2003 Legislature passed HB 767, which revised the laws governing the release of information amending 61-11-105, MCA. This statute provides for a convenience fee and allows for the use of a point of entry for electronic government services.

DP 127 - Statewide FTE Reduction - The legislature approved the continuance of a 2003 session HB 2 directive to lessen general funded personal services. The reduction is for 1.00 FTE that was in the drivers rehabilitation program.

DP 306 - Patriot Act Support - The legislature approved 2.00 FTE and \$101,180 general fund for FY 2006 and 2.00 FTE and \$95,138 general fund for FY 2007 to support Patriot Act efforts. One FTE will provide an audit of internal activities to assure that the department is in conformity with federal laws. One FTE will staff a help desk to assist the public with Patriot Act issues.

DP 326 - Fleet Transfer from DOT - The legislature approved the transfer of the fleet vehicle registration responsibilities from the Department of Transportation to the Department of Justice as per the provisions of HB 87. This decision package transfers the base level funding and new state special funds of \$7,348 in each fiscal year of the biennium.

DP 328 - HB 671 Proprietary - The legislature approved proprietary funds of \$262,500 in FY 2006 and \$525,000 in FY 2007 to support operating costs for an enhanced motor vehicle web portal that allows 3rd party users to access the system.

DP 329 - Senate Bill 285 Auditor - The legislature approved 1.00 FTE and general fund of \$47,813 in FY 2006 and 1.00 FTE and general fund of \$44,837 in FY 2007 to support an audit position in the Department of Motor Vehicle. This position will work with the new provisions of SB 282 that streamlines the motor vehicle registration process.

DP 330 - Programming Costs Motor Veh. Leg. (Restricted/OTO) - The legislature approved funding to provide programming updates that occurred due to various provisions of legislation. These updates are in the Department of Motor Vehicles computer routines.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The legislature approved the attorney general's request for 2 FTE and general fund money of \$101,180 in fiscal year 2006 and \$95,138 in fiscal year 2007 to support the Patriot Act. These FTE will provide auditing and public contact services regarding issues surrounding the Patriot Act. This approval is contingent upon a current level fund transfer by the department and verified by the budget director."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 274.55 | 0.00 | (7.38) | 267.17 | 0.00 | (10.50) | 264.05 | 264.05 |
| Personal Services | 13,566,678 | 822,355 | 260,714 | 14,649,747 | 824,079 | 520,552 | 14,911,309 | 29,561,056 |
| Operating Expenses | 4,636,800 | 1,470,047 | 332,686 | 6,439,533 | (506,689) | 430,581 | 4,560,692 | 11,000,225 |
| Equipment | 1,379,551 | 168,504 | (49,626) | 1,498,429 | 234,360 | (67,244) | 1,546,667 | 3,045,096 |
| Total Costs | \$19,583,029 | \$2,460,906 | \$543,774 | \$22,587,709 | \$551,750 | \$883,889 | \$21,018,668 | \$43,606,377 |
| General Fund | 0 | 0 | 573,623 | 573,623 | 0 | 764,562 | 764,562 | 1,338,185 |
| State/Other Special | 18,718,765 | 2,330,804 | 673,859 | 21,723,428 | 435,240 | 1,096,088 | 20,250,093 | 41,973,521 |
| Federal Special | 864,264 | 130,102 | (703,708) | 290,658 | 116,510 | (976,761) | 4,013 | 294,671 |
| Total Funds | \$19,583,029 | \$2,460,906 | \$543,774 | \$22,587,709 | \$551,750 | \$883,889 | \$21,018,668 | \$43,606,377 |

Program Description

The Highway Patrol Division (HPD) is responsible for patrolling the highways of Montana, enforcing traffic laws, and investigating traffic crashes. The patrol gives assistance and information to motorists and first aid to those injured in traffic crashes, transports blood and medical supplies in emergency situations, and assists other law enforcement agencies when requested. The patrol provides 24-hour-a-day, seven-day-a-week communication and radio dispatch for the Highway Patrol and other state agencies. The Motor Carrier Safety Assistance program (MCSAP) attempts to reduce commercial motor vehicle accidents in the state by participating in the Commercial Vehicle Safety Alliance (CVSA) and its North American Driver/Vehicle Inspection program, which includes all levels of inspections as well as safety review audits.

Program Highlights

| Department of Justice Highway Patrol Division Major Budget Highlights | |
|--|---|
| ♦ | General fund increases by \$1.3 million over the base budget due to prisoner per diem to pay for jail time for arrests made when driving with a suspended drivers' license due to a DUI conviction or refusal to test for alcohol |
| ♦ | State special revenue increases by \$4.5 million over the base budget mostly due to: <ul style="list-style-type: none"> • Base adjustments of \$2.0 million • Restoration of vacancy savings of \$1.0 million • \$1.1 million for HB 447 pay plan increases • Statewide present law adjustments |
| ♦ | Federal funds decrease by \$1.4 million due to the transfer of the MCSAP program to the Department of Transportation |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Highway Patrol Division | | | | | |
|-----------------|--------------------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ - | - | \$ 573,623 | 2.5% | \$ 764,562 | 3.6% |
| | 01100 General Fund | - | - | 573,623 | 2.5% | 764,562 | 3.6% |
| 02000 | Total State Special Funds | 18,718,765 | 95.6% | 21,723,428 | 96.2% | 20,250,093 | 96.3% |
| | 02003 Misc Grants And Nrd | 91,420 | 0.5% | 151,329 | 0.7% | 156,890 | 0.7% |
| | 02422 Highways Special Revenue | 18,627,345 | 95.1% | 21,572,099 | 95.5% | 20,093,203 | 95.6% |
| 03000 | Total Federal Special Funds | 864,264 | 4.4% | 290,658 | 1.3% | 4,013 | 0.0% |
| | 03166 Mcsap-Truck Inspection Program | 864,264 | 4.4% | 290,658 | 1.3% | 4,013 | 0.0% |
| Grand Total | | \$ 19,583,029 | 100.0% | \$ 22,587,709 | 100.0% | \$ 21,018,668 | 100.0% |

The Highway Patrol Division is funded primarily from the highways state special revenue account, which receives most of its revenue from fuel taxes and gross vehicle weight (GVW) fees. General fund is used to fund prisoner per diem in cases where offenders are driving with a suspended license due to a DUI conviction or failure to test for alcohol.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|-----------------|------------------|--------------------|----------------|-------------|-----------------|------------------|--------------------|----------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 599,624 | | | | | 601,405 |
| Vacancy Savings | | | | (566,650) | | | | | (566,707) |
| Inflation/Deflation | | | | (33,759) | | | | | (33,798) |
| Fixed Costs | | | | 51,632 | | | | | 51,872 |
| Total Statewide Present Law Adjustments | | | | \$50,847 | | | | | \$52,772 |
| DP 13 - Base Adjustment MHP Operations | | | | | | | | | |
| 0.00 | 0 | 923,143 | 0 | 923,143 | 0.00 | 0 | 1,017,204 | 0 | 1,017,204 |
| DP 14 - Base Adjustments MCSAP | | | | | | | | | |
| 0.00 | 0 | 22,129 | 388,517 | 410,646 | 0.00 | 0 | 18,769 | 375,077 | 393,846 |
| DP 38 - Base Adjustment Recruit School | | | | | | | | | |
| 0.00 | 0 | 21,083 | 0 | 21,083 | 0.00 | 0 | 21,083 | 0 | 21,083 |
| DP 131 - Exempt staff pay raise reduction | | | | | | | | | |
| 0.00 | 0 | (9,903) | 0 | (9,903) | 0.00 | 0 | (9,903) | 0 | (9,903) |
| DP 132 - Biennial appropriation for prisoner per diem | | | | | | | | | |
| 0.00 | 0 | 1,065,090 | 0 | 1,065,090 | 0.00 | 0 | (923,252) | 0 | (923,252) |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$2,021,542 | \$388,517 | \$2,410,059 | 0.00 | \$0 | \$123,901 | \$375,077 | \$498,978 |
| Grand Total All Present Law Adjustments | | | | \$2,460,906 | | | | | \$551,750 |

DP 13 - Base Adjustment MHP Operations - The legislature approved an increase of \$923,143 in FY 2006 and \$1,017,204 in FY 2007 for a number of adjustments including overtime, gasoline, rent, maintenance contracts, and vehicle replacement. This budget supports the uniformed officers in seven districts, officers and support staff in the Helena headquarters, the aircraft unit, radio technicians, and the communication center in Helena.

DP 14 - Base Adjustments MCSAP - The legislature approved an increase of \$410,646 in FY 2006 and \$393,846 in FY 2007 for the Motor Carrier Safety Assistance Program (MCSAP) budget for a number of adjustments, including overtime,

consulting and professional services, and travel and training, and computer replacement. Personnel perform inspections and enforce federal and state regulations regarding hazardous material and safety for inter-state and intra-state commercial motor carriers.

DP 38 - Base Adjustment Recruit School - The legislature approved an increase of \$21,083 in FY 2006 and \$21,083 in FY 2007 for the Recruit Training School budget for a number of adjustments that include overtime, differential pay, and travel. The HPD conducts an annual Recruit Training School to train the new recruits to fill vacancies. Training consists of 16 weeks of on-campus training and eight weeks of field training.

DP 131 - Exempt staff pay raise reduction - The legislature reduced funding for exempt staff pay raises awarded in the 2005 biennium to the FY 2004 base level.

DP 132 - Biennial appropriation for prisoner per diem - The legislature approved a biennial appropriation for prisoner per diem. This is the cost the HPD pays to board prisoners in the county detention facilities. The cost per day is negotiated in contracts by the Department of Corrections with each county. The HPD spent \$923,252 for prisoner per diem in FY 2004. This addition assumes costs will increase by 3 percent per year for a total of \$1,988,342 for the biennium or an increase of \$1,065,090 (\$1,988,342 less base of \$923,252 = \$1,065,090) above the base for the biennium.

New Proposals

| New Proposals | | | | | | | | | | |
|--|---------------|------------------|------------------|--------------------|-------------------|----------------|------------------|--------------------|--------------------|-------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 15 - MCSAP New Entrant Program | | | | | | | | | | |
| 13 | 2.00 | 0 | 0 | 158,065 | 158,065 | 2.00 | 0 | 0 | 104,270 | 104,270 |
| DP 135 - Restore Vacancy Savings for Patrol Officers (Requires Legislation) | | | | | | | | | | |
| 13 | 0.00 | 0 | 407,283 | 0 | 407,283 | 0.00 | 0 | 543,074 | 0 | 543,074 |
| DP 136 - Transfer MCSAP Program to Dept of Transportation (Requires Legislation) | | | | | | | | | | |
| 13 | (9.38) | 0 | (124,814) | (864,323) | (989,137) | (12.50) | 0 | (163,021) | (1,085,044) | (1,248,065) |
| DP 334 - Prisoner Per Diem - HB 99 | | | | | | | | | | |
| 13 | 0.00 | 573,623 | 0 | 0 | 573,623 | 0.00 | 764,562 | 0 | 0 | 764,562 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 13 | 0.00 | 0 | 391,390 | 2,550 | 393,940 | 0.00 | 0 | 716,035 | 4,013 | 720,048 |
| Total | (7.38) | \$573,623 | \$673,859 | (\$703,708) | \$543,774* | (10.50) | \$764,562 | \$1,096,088 | (\$976,761) | \$883,889* |

DP 15 - MCSAP New Entrant Program - The legislature approved an appropriation for \$158,065 in FY 2006 and \$104,270 in FY 2007 for the Motor Carrier Safety Assistance Program (MCSAP). Section personnel perform inspections and enforce adherence to federal and state regulations regarding hazardous material and safety by inter-state and intra-state commercial motor carriers. The Federal Highway Administration has authorized MCSAP funds to be used for the New Entrant Program that provides new commercial motor vehicle companies with assistance in setting up driver education and commercial vehicle safety programs. This program is not part of the current program as listed in DP 136 below. There is no required federal match for this program.

DP 135 - Restore Vacancy Savings for Patrol Officers - The legislature approved restoration of vacancy savings in the Highway Patrol Division as per the provisions of HB 35.

DP 136 - Transfer MCSAP Program to Dept of Transportation - The legislature approved the transfer of the MCSAP program from the Department of Justice to the Department of Transportation. This transfer consolidates all commercial motor vehicle regulation functions in one group. This move will be effective Oct 1, 2005.

DP 334 - Prisoner Per Diem - HB 99 - The legislature approved general fund of \$573,623 in FY 2006 and \$764,562 in FY 2007 for the Highway Patrol Division to provide prisoner per diem for individuals driving a vehicle with a suspended drivers license if the reason for the suspension was that: 1) the person was convicted of a DUI; or 2) refused to take a breath or blood test upon request of an officer.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
|---------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| FTE | 77.50 | (4.00) | 8.00 | 81.50 | (3.00) | 7.00 | 81.50 | 81.50 |
| Personal Services | 3,075,309 | 603,078 | 525,804 | 4,204,191 | 660,753 | 651,667 | 4,387,729 | 8,591,920 |
| Operating Expenses | 1,693,910 | 284,260 | 227,981 | 2,206,151 | 314,489 | 191,096 | 2,199,495 | 4,405,646 |
| Equipment | 25,136 | 60,000 | 16,757 | 101,893 | 60,000 | 16,757 | 101,893 | 203,786 |
| Debt Service | 15,992 | 0 | 22,050 | 38,042 | 0 | 22,050 | 38,042 | 76,084 |
| Total Costs | \$4,810,347 | \$947,338 | \$792,592 | \$6,550,277 | \$1,035,242 | \$881,570 | \$6,727,159 | \$13,277,436 |
| General Fund | 2,639,892 | 189,398 | 905,934 | 3,735,224 | 277,775 | 942,306 | 3,859,973 | 7,595,197 |
| State/Other Special | 884,362 | 683,836 | (18,493) | 1,549,705 | 661,529 | 10,506 | 1,556,397 | 3,106,102 |
| Federal Special | 1,286,093 | 74,104 | (94,849) | 1,265,348 | 95,938 | (71,242) | 1,310,789 | 2,576,137 |
| Total Funds | \$4,810,347 | \$947,338 | \$792,592 | \$6,550,277 | \$1,035,242 | \$881,570 | \$6,727,159 | \$13,277,436 |

Program Description

The Division of Criminal Investigation includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, and the Law Enforcement Academy Bureau.

The Investigations Bureau consists of four sections:

- Fire Prevention and Investigation Section – This section is responsible for safeguarding life and property from fire, explosion, and arson through investigative, inspection, and fire code interpretation and enforcement.
- Investigative Support Section – This section is responsible for investigating crimes involving the use of computers; maintaining the Sexual and Violent Offender Registry; providing advanced training opportunities for law enforcement officials statewide; establishing a statewide intelligence center; and addressing homeland security issues.
- Major Case Section – This section provides criminal investigative assistance to city, county, state and federal law enforcement agencies. Investigations include homicide and other violent crimes, organized crime activity, white-collar crimes, sex crimes, corruption, official misconduct, theft, complex financial crimes, workers compensation fraud, and internal agency investigations.
- Medicaid Fraud Control Section – This section is responsible for investigating any crime that occurs in a health care facility, including theft, drug diversion, sexual assault, and homicide. The section also investigates elder exploitation, as well as elder abuse and fraud by providers within the Medicaid system. This may include investigations into doctors, dentists, durable medical equipment companies, mental health providers, and other Medicaid providers.

The Narcotics Bureau investigates dangerous drug violations and provides investigative assistance to city, county, state and federal law enforcement agencies as requested. The bureau also investigates organized criminal activity and assists the Investigations Bureau in its investigations. The division's narcotics agents work in an undercover capacity on a regular basis to investigate narcotics related crimes and also respond to methamphetamine laboratories statewide. Division of Criminal Investigation drug enforcement teams operate throughout Montana and coordinate their efforts with several local drug teams as well as federal authorities.

The Law Enforcement Academy Bureau provides criminal justice officers and other qualified individuals with basic and specialized training in the field of law enforcement. More than 1,000 officers and associated criminal justice personnel attend the academy each year. Basic Programs provide entry-level certification training for law enforcement officers,

corrections/detention officers and public safety communicators. The Professional and Advanced Training Program is responsible for advanced/specialized training for police officers and associated criminal justice personnel.

Program Highlights

| Department of Justice Criminal Investigation Division Major Budget Highlights | |
|---|---|
| ◆ | General fund increases by \$2.3 million over the base budget due to: <ul style="list-style-type: none"> • FTE and \$0.1 million for a narcotics agent in Miles City • Funding for replacement vehicles of \$0.2 million • Support for the Montana Drug Task Force of \$1.5 million that was previously funded with federal funds from the Byrne grant • Statewide present law adjustments |
| ◆ | State special revenue increases by \$1.3 million over the base budget mostly due to: <ul style="list-style-type: none"> • Law Enforcement Academy base adjustments of \$0.4 million • Loss of county contributions related to the support of the federally funded drug task force of \$0.2 million • Statewide present law adjustments |
| ◆ | The overall level of federal funds remained unchanged; however, the following items did change: <ul style="list-style-type: none"> • A decrease due to the loss of the Byrne grant that funded the Montana drug task force of \$1.2 million • An increase of \$0.8 million for Homeland Security efforts • Statewide present law adjustments |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Div. Of Criminal Investi | | | | | |
|-----------------|--------------------------------------|---|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 2,639,892 | 54.9% | \$ 3,735,224 | 57.0% | \$ 3,859,973 | 57.4% |
| | 01100 General Fund | 2,639,892 | 54.9% | 3,735,224 | 57.0% | 3,859,973 | 57.4% |
| 02000 | Total State Special Funds | 884,362 | 18.4% | 1,549,705 | 23.7% | 1,556,397 | 23.1% |
| | 02003 Misc Grants And Nrd | 297,847 | 6.2% | 258,199 | 3.9% | 235,909 | 3.5% |
| | 02079 Fire Protection & Permitting | 40,270 | 0.8% | 40,215 | 0.6% | 42,027 | 0.6% |
| | 02143 Drug Forfeitures-State | 41,477 | 0.9% | 44,114 | 0.7% | 45,290 | 0.7% |
| | 02546 Milaw Enforc. Acad. Surcharge | 504,768 | 10.5% | 1,207,177 | 18.4% | 1,233,171 | 18.3% |
| 03000 | Total Federal Special Funds | 1,286,093 | 26.7% | 1,265,348 | 19.3% | 1,310,789 | 19.5% |
| | 03187 Bcc Grants To Dept. Of Justice | 893,895 | 18.6% | 340,553 | 5.2% | 368,381 | 5.5% |
| | 03800 Medicaid Fraud | 392,198 | 8.2% | 494,440 | 7.5% | 512,747 | 7.6% |
| | 03801 Dept Of Justice-Misc Grants | - | - | 430,355 | 6.6% | 429,661 | 6.4% |
| Grand Total | | <u>\$ 4,810,347</u> | <u>100.0%</u> | <u>\$ 6,550,277</u> | <u>100.0%</u> | <u>\$ 6,727,159</u> | <u>100.0%</u> |

The Fire Prevention and Investigation Bureau, and general criminal investigation are primarily funded by the general fund. The general fund is also used to match welfare and Medicaid fraud investigations. General fund supports the eastern and western narcotics investigation effort. Federal funds are the major source of homeland security efforts. The Montana State Fund supports state fund fraud investigations and prosecutions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-----------------------|--------------|---------------|-----------------|--------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 933,465 | | | | | 929,121 |
| Vacancy Savings | | | | (160,353) | | | | | (160,179) |
| Inflation/Deflation | | | | 7,865 | | | | | 5,197 |
| Fixed Costs | | | | 18,287 | | | | | 20,625 |
| Total Statewide Present Law Adjustments | | | | \$799,264 | | | | | \$794,764 |
| DP 18 - Montana Law Enforcement Academy Base Adjustment | | | | | | | | | |
| 0.00 | 0 | 180,530 | 0 | 180,530 | 0.00 | 0 | 180,530 | 0 | 180,530 |
| DP 19 - One Narcotics Regional Agent in Charge -Miles City | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 1.00 | 61,451 | 0 | 0 | 61,451 |
| DP 20 - Reinstate vehicle replacement program | | | | | | | | | |
| 0.00 | 75,578 | 20,000 | 0 | 95,578 | 0.00 | 97,032 | 0 | 0 | 97,032 |
| DP 21 - Medicaid Fraud Program - COLA | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 0.00 | 7,276 | 0 | 21,829 | 29,105 |
| DP 22 - Present Law Base Adjustment for Division | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 0.00 | 42,000 | 0 | 0 | 42,000 |
| DP 181 - Decrease FTE due to lack of funding | | | | | | | | | |
| (4.00) | 0 | 0 | (170,034) | (170,034) | (4.00) | 0 | 0 | (169,640) | (169,640) |
| DP 312 - Base Adjustment for Division | | | | | | | | | |
| 0.00 | 42,000 | 0 | 0 | 42,000 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | | | | | | | | | |
| (4.00) | \$117,578 | \$200,530 | (\$170,034) | \$148,074 | (3.00) | \$207,759 | \$180,530 | (\$147,811) | \$240,478 |
| Grand Total All Present Law Adjustments | | | | \$947,338 | | | | | \$1,035,242 |

DP 18 - Montana Law Enforcement Academy Base Adjustment - The legislature approved \$361,060 of state special revenue authority for the biennium to raise the spending authority of the Montana Law Enforcement Academy (MLEA) to that level appropriated in FY 2004. Spending in the base year was much less than was appropriated due to the cash shortage in the new MLEA surcharge account.

DP 19 - One Narcotics Regional Agent in Charge -Miles City - The legislature approved \$61,451 of general fund and 1.00 FTE in FY 2007 to fund a supervisor in the division's Miles City narcotics office - the Eastern Montana Drug Task Force. The Eastern Montana Drug Task Force (EMDTF) is a grant-funded operation located in Miles City, Montana, consisting of one supervisor, one administrative support staff, and three local law enforcement agents. The task force represents a partnership between local and state law enforcement entities and is funded through local and federal funds. The EMDTF Regional Agent in Charge (RAC) is currently staffed with an agent position "borrowed" from the Billings narcotics team. This effectively reduces the staff in Billings by one agent position. This addition provides the EMDTF with its own RAC position, so that the "borrowed" agent position can return to Billings, and adds state support of this currently local and federal government funded team.

DP 20 - Reinstate vehicle replacement program - The legislature approved \$172,610 of general fund and \$20,000 of state special revenue authority for the biennium to reinstate the division's vehicle replacement program. This addition allows the division to purchase six vehicles over the biennium (1 for the workers compensation fraud investigator and 5 for narcotics investigators), and lease 4 pickup trucks for the deputy state fire marshals and 3 sedans for general investigators.

DP 21 - Medicaid Fraud Program - COLA - The legislature approved \$29,105 in FY 2007, \$7,276 of general fund and \$21,829 of federal special revenue authority, to pay for increases in the present law base of the Medicaid Fraud Control Unit. Each year, the Medicaid Fraud grant allows for a 5 percent cost-of-living adjustment. The Medicaid Fraud Control Unit is funded 25 percent from the general fund and 75 percent from federal funds.

DP 22 - Present Law Base Adjustment for Division - The legislature approved \$42,000 of general fund in FY 2007 for miscellaneous increases to the present law base of the division. Increases are for: 1) cost-of-living increases for the Narcotics Bureau; 2) cost-of-living increases for the Investigations Bureau; and 3) funding of continuing Amber Alert expenditures. The Amber Alert program was established with a one-time appropriation to create the program in Montana. This addition provides a small amount of funding for continuing operating costs of this program.

DP 181 - Decrease FTE due to lack of funding - The legislature approved a reduction of 4.00 FTE that were funded with federal special revenue authority. The division has no federal funding for these positions.

DP 312 - Base Adjustment for Division - The legislature approved an increase of \$42,000 of general fund in FY 2006 for miscellaneous increases to the present law base of the division. Increases are for: 1) cost-of-living increases for the Narcotics Bureau; 2) cost-of-living increases for the Investigations Bureau; and 3) funding of continuing Amber Alert expenditures. The Amber Alert program was established with a one-time appropriation to create the program in Montana.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|---|-------------|------------------|-------------------|-------------------|-------------------|-------------|------------------|-----------------|-------------------|-------------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 16 - Funding Authority - Homeland Security | | | | | | | | | | |
| 18 | 5.00 | 0 | 0 | 423,322 | 423,322 | 5.00 | 0 | 0 | 422,527 | 422,527 |
| DP 308 - MLEA Store | | | | | | | | | | |
| 18 | 0.00 | 0 | 25,000 | 0 | 25,000 | 0.00 | 0 | 25,000 | 0 | 25,000 |
| DP 309 - Miles City - NARC Regional Agent | | | | | | | | | | |
| 18 | 1.00 | 61,451 | 0 | 0 | 61,451 | 0.00 | 0 | 0 | 0 | 0 |
| DP 310 - Medicaid Fraud Program II - COLA | | | | | | | | | | |
| 18 | 0.00 | 6,498 | 0 | 19,495 | 25,993 | 0.00 | 0 | 0 | 0 | 0 |
| DP 311 - Medicaid Fraud Agent | | | | | | | | | | |
| 18 | 1.00 | 15,500 | 0 | 46,500 | 62,000 | 1.00 | 15,500 | 0 | 46,500 | 62,000 |
| DP 313 - Drug Task Force | | | | | | | | | | |
| 18 | 1.00 | 754,995 | (85,229) | (612,796) | 56,970 | 1.00 | 754,813 | (85,194) | (612,848) | 56,771 |
| DP 333 - Cultural Awareness Training | | | | | | | | | | |
| 18 | 0.00 | 0 | 16,760 | 0 | 16,760 | 0.00 | 0 | 5,760 | 0 | 5,760 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 18 | 0.00 | 67,490 | 24,976 | 28,630 | 121,096 | 0.00 | 171,993 | 64,940 | 72,579 | 309,512 |
| Total | 8.00 | \$905,934 | (\$18,493) | (\$94,849) | \$792,592* | 7.00 | \$942,306 | \$10,506 | (\$71,242) | \$881,570* |

DP 16 - Funding Authority - Homeland Security - The legislature approved \$845,849 of federal special revenue authority and 5.00 FTE for the biennium to allow for the continuation of the Homeland Security efforts now underway. Funding authority was provided to continue the memorandum of understanding with the Department of Military Affairs, Disaster and Emergency Services, for the Homeland Security program.

DP 308 - MLEA Store - The legislature approved an appropriation of \$50,000 for a store at the Montana Law Enforcement Academy (MLEA). This appropriation is for proprietary funds. The store would purchase items for resale to the students at the academy.

DP 309 - Miles City - NARC Regional Agent - The legislature approved \$61,451 of general fund and 1.00 FTE in FY 2006 to fund a supervisor in the division's Miles City narcotics office - the Eastern Montana Drug Task Force. The Eastern Montana Drug Task Force (EMDTF) is a grant-funded operation located in Miles City, Montana, consisting of one supervisor, one administrative support, and three local law enforcement agents. The task force represents a

partnership between local and state law enforcement entities and is funded through local and federal funds. The EMDTF Regional Agent in Charge (RAC) is currently staffed with an agent position "borrowed" from the Billings narcotics team. This effectively reduces the staff in Billings by one agent position. This proposal provides the EMDTF with its own RAC position, so that the "borrowed" agent position can return to Billings. This package adds state support of this currently local and federal government funded team.

DP 310 - Medicaid Fraud Program II - COLA - The legislature approved \$25,993 in FY 2006, \$6,498 of general fund and \$19,495 of federal special revenue authority, to pay for increases in the base of the Medicaid Fraud Control Unit. Each year, the Medicaid Fraud grant allows for a 5 percent cost-of-living adjustment. The Medicaid Fraud Control Unit is funded 25 percent from the general fund and 75 percent from federal funds.

DP 311 - Medicaid Fraud Agent - The legislature approved an appropriation for 1.00 FTE and \$15,500 of general fund and \$46,500 of federal funds for FY 2006 and 1.00 FTE and \$15,500 of general fund and \$46,500 of federal funds for FY 2007 to support the Medicaid fraud control unit. This unit investigates provider fraud of the Medicaid system, elder abuse, and elder exploitation at the request of local law enforcement, the health care community, and concerned citizens. Increases in workload have resulted in the need for an additional agent. The program is funded 75 percent with federal funds and 25 percent general fund.

DP 313 - Drug Task Force - The legislature approved a general fund appropriation for 1.00 FTE and \$754,995 in FY 2006 and 1.00 FTE and \$754,813 in FY 2007 for the Montana Drug Task Force. The legislature also approved a reduction in state special revenue of \$85,229 in FY 2006 and \$85,194 in FY 2007 as well as a reduction in federal funds of \$612,796 for FY 2006 and \$612,848 for FY 2007. In the 2005 biennium the Division of Criminal Investigation (DCI) received 75 percent of its funding for drug task forces from the Montana Board of Crime Control through the Byrne Grant program; however, this federal funding is not expected to be received during the 2007 biennium. DCI operates drug task forces in Butte, Great Falls, Havre and Miles City.

DP 333 - Cultural Awareness Training - The legislature approved general fund of \$16,760 in FY 2006 and \$5,760 in FY 2007 for the Division of Criminal Investigation to provide cultural awareness training to prevent racial profiling. This program will be funded with state special revenues from student fees.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The legislature approved the attorney general's request for 1 FTE and general fund money of \$61,451 in fiscal year 2006 to support the Miles City narcotics program. This approval is contingent upon a current level fund transfer by the department and verified by the budget director."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 21.55 | 0.00 | 0.00 | 21.55 | 0.00 | 0.00 | 21.55 | 21.55 |
| Personal Services | 1,739,734 | 172,854 | 0 | 1,912,588 | 221,510 | 0 | 1,961,244 | 3,873,832 |
| Total Costs | \$1,739,734 | \$172,854 | \$0 | \$1,912,588 | \$221,510 | \$0 | \$1,961,244 | \$3,873,832 |
| General Fund | 1,739,734 | 172,854 | 0 | 1,912,588 | 221,510 | 0 | 1,961,244 | 3,873,832 |
| Total Funds | \$1,739,734 | \$172,854 | \$0 | \$1,912,588 | \$221,510 | \$0 | \$1,961,244 | \$3,873,832 |

Program Description

The County Attorney Payroll program pays approximately half of the salary and benefits for the attorneys who serve Montana's 56 counties, as required by 7-4-2502, MCA. County compensation boards within each county determine county attorney salaries. By law, the state's contribution is limited to the general fund amount the legislature appropriates for this program. The state's contribution may be less than half of the board-approved salary.

Program Highlights

| Department of Justice County Attorney Payroll Major Budget Highlights | |
|--|--|
| <ul style="list-style-type: none"> General fund increases by \$0.4 million over the base budget primarily due to funding of a full 50 percent of the county attorney pay and benefits | |

Funding

This program is entirely funded by the general fund, as required by 7-4-2502, MCA.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-----------|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 6,489 | | | | | 7,415 |
| Total Statewide Present Law Adjustments | | | | | \$6,489 | | | | | \$7,415 |
| DP 23 - County Attorney Pay - State Share | | | | | | | | | | |
| 0.00 | 63,000 | 0 | 0 | 63,000 | 0.00 | 63,000 | 0 | 0 | 63,000 | |
| DP 318 - County Attorney Payroll - increase | | | | | | | | | | |
| 0.00 | 103,365 | 0 | 0 | 103,365 | 0.00 | 151,095 | 0 | 0 | 151,095 | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$166,365 | \$0 | \$0 | \$166,365 | 0.00 | \$214,095 | \$0 | \$0 | \$214,095 | |
| Grand Total All Present Law Adjustments | | | | | \$172,854 | | | | | \$221,510 |

DP 23 - County Attorney Pay - State Share - The legislature approved \$63,000 in FY 2006 and \$63,000 in FY 2007 for the state's share of County Attorney pay.

DP 318 - County Attorney Payroll - increase - The legislature approved an increase over and above the amount approved by the executive of \$103,365 in FY 2006 and \$151,095 in FY 2007 for the state's share of County Attorney pay. This amount is to adjust the base amount to pay approximately 50 percent of county attorneys' salaries and benefits.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 16.00 | 0.00 | 0.00 | 16.00 | 0.00 | 0.00 | 16.00 | 16.00 |
| Personal Services | 678,804 | 98,743 | 22,800 | 800,347 | 98,502 | 59,143 | 836,449 | 1,636,796 |
| Operating Expenses | 141,963 | 49,964 | 0 | 191,927 | (11,426) | 0 | 130,537 | 322,464 |
| Total Costs | \$820,767 | \$148,707 | \$22,800 | \$992,274 | \$87,076 | \$59,143 | \$966,986 | \$1,959,260 |
| General Fund | 344,241 | 13,227 | 8,250 | 365,718 | (10,193) | 21,178 | 355,226 | 720,944 |
| State/Other Special | 457,189 | 98,389 | 13,178 | 568,756 | 63,876 | 34,343 | 555,408 | 1,124,164 |
| Proprietary | 19,337 | 37,091 | 1,372 | 57,800 | 33,393 | 3,622 | 56,352 | 114,152 |
| Total Funds | \$820,767 | \$148,707 | \$22,800 | \$992,274 | \$87,076 | \$59,143 | \$966,986 | \$1,959,260 |

Program Description

The Central Services Division provides the administrative, personnel, budgetary, accounting, and fiscal support for the Department of Justice. The program also administers the County Attorney Payroll.

Program Highlights

| Department of Justice Central Services Division Major Budget Highlights | |
|---|--|
| <ul style="list-style-type: none"> Total funds increase over the base budget by \$0.3 million due to statewide present law adjustments and HB 447 pay plan increases | |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|---------------------------|------------------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Central Services Division | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 344,241 | 41.9% | \$ 365,718 | 36.9% | \$ 355,226 | 36.7% |
| | 01100 General Fund | 344,241 | 41.9% | 365,718 | 36.9% | 355,226 | 36.7% |
| 02000 | Total State Special Funds | 457,189 | 55.7% | 568,756 | 57.3% | 555,408 | 57.4% |
| | 02003 Misc Grants And Nrd | 27,001 | 3.3% | 29,425 | 3.0% | 30,552 | 3.2% |
| | 02074 Gambling License Fee Account | 46,945 | 5.7% | 57,822 | 5.8% | 56,336 | 5.8% |
| | 02422 Highways Special Revenue | 383,243 | 46.7% | 481,509 | 48.5% | 468,520 | 48.5% |
| 06000 | Total Proprietary Funds | 19,337 | 2.4% | 57,800 | 5.8% | 56,352 | 5.8% |
| | 06005 Liquor Division | 3,679 | 0.4% | 28,900 | 2.9% | 28,176 | 2.9% |
| | 06500 Agency Legal Services | 15,658 | 1.9% | 28,900 | 2.9% | 28,176 | 2.9% |
| Grand Total | | \$ 820,767 | 100.0% | \$ 992,274 | 100.0% | \$ 966,986 | 100.0% |

Central Services Division is funded by an allocation from the four major funds that support the Department of Justice, in proportion to the total budgeted costs. These funds are the general fund, the gas tax, the gambling tax, and other miscellaneous funds.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------------|------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 140,305 | | | | | 140,054 |
| Vacancy Savings | | | | | (32,765) | | | | | (32,755) |
| Inflation/Deflation | | | | | (833) | | | | | (832) |
| Fixed Costs | | | | | 50,797 | | | | | (10,594) |
| Total Statewide Present Law Adjustments | | | | | \$157,504 | | | | | \$95,873 |
| DP 283 - Exempt staff pay raise reduction | | | | | | | | | | |
| | 0.00 | (3,255) | (5,014) | 0 | (8,797)* | 0.00 | (3,255) | (5,014) | 0 | (8,797)* |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | (\$3,255) | (\$5,014) | \$0 | (\$8,797)* | 0.00 | (\$3,255) | (\$5,014) | \$0 | (\$8,797)* |
| Grand Total All Present Law Adjustments | | | | | \$148,707* | | | | | \$87,076* |

DP 283 - Exempt staff pay raise reduction - The legislature reduced funding for exempt staff pay raises awarded in the 2005 biennium to the FY 2004 base level.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|-----------------|-----------------|------------------|-------------|-----------------|-----------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 28 | 0.00 | 8,250 | 13,178 | 0 | 22,800* | 0.00 | 21,178 | 34,343 | 0 | 59,143* |
| Total | 0.00 | \$8,250 | \$13,178 | \$0 | \$22,800* | 0.00 | \$21,178 | \$34,343 | \$0 | \$59,143* |

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 51.00 | 3.00 | 0.00 | 54.00 | 3.00 | 0.00 | 54.00 | 54.00 |
| Personal Services | 1,963,099 | 456,378 | 77,023 | 2,496,500 | 454,640 | 197,617 | 2,615,356 | 5,111,856 |
| Operating Expenses | 1,919,431 | (50,496) | 250,000 | 2,118,935 | (47,545) | 0 | 1,871,886 | 3,990,821 |
| Equipment | 132,986 | 0 | 0 | 132,986 | 0 | 0 | 132,986 | 265,972 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$4,015,516 | \$405,882 | \$327,023 | \$4,748,421 | \$407,095 | \$197,617 | \$4,620,228 | \$9,368,649 |
| General Fund | 2,862,503 | 267,367 | (150,510) | 2,979,360 | 267,676 | (53,139) | 3,077,040 | 6,056,400 |
| State/Other Special | 1,063,270 | 134,035 | 475,780 | 1,673,085 | 135,126 | 246,258 | 1,444,654 | 3,117,739 |
| Federal Special | 83,223 | (2,321) | 1,753 | 82,655 | (2,508) | 4,498 | 85,213 | 167,868 |
| Proprietary | 6,520 | 6,801 | 0 | 13,321 | 6,801 | 0 | 13,321 | 26,642 |
| Total Funds | \$4,015,516 | \$405,882 | \$327,023 | \$4,748,421 | \$407,095 | \$197,617 | \$4,620,228 | \$9,368,649 |

Program Description

The Justice Information Technology Services Division provides a full range of information technology and criminal justice services for the department including system development and maintenance of:

- 1) The motor vehicle titling and registration system
- 2) The driver license and history system
- 3) The criminal history record information system
- 4) The Montana Uniform Crime Reporting System
- 5) The Department of Justice internal computers and systems
- 6) The Criminal Justice Information Network (CJIN). CJIN links law enforcement/criminal justice agencies with information sources at local, state, and national levels by interfacing with the National Law Enforcement Telecommunications System, the National Crime Information Center (NCIC), and numerous State of Montana files.

The program also provides identification services for the criminal justice community through criminal history record checking and fingerprint processing.

Program Highlights

| Department of Justice Information Technology Services Division Major Budget Highlights | |
|--|--|
| <ul style="list-style-type: none"> ◆ General fund increases by \$0.3 million over the base budget mostly due to: <ul style="list-style-type: none"> • A transfer of 3.52 FTE and \$0.4 million from general fund to state special revenue to adhere to the statewide FTE reduction • \$0.2 million for HB 447 pay plan increases • Statewide present law adjustments ◆ State special revenue increases by \$1.0 million over the base budget mostly due to: <ul style="list-style-type: none"> • An increase of 3.50 FTE and \$0.4 million to support information technology efforts | |

- Funding for 1.00 FTE and \$0.1 million for a security and disaster recovery officer
- A criminal history data coordination effort for \$0.3 million
- A transfer of 3.52 FTE and \$0.4 million from general fund to state special revenue to adhere to the statewide FTE

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Information Technology S | | | | | |
|-----------------|--------------------------------------|---|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 2,862,503 | 71.3% | \$ 2,979,360 | 62.7% | \$ 3,077,040 | 66.6% |
| | 01100 General Fund | 2,862,503 | 71.3% | 2,979,360 | 62.7% | 3,077,040 | 66.6% |
| 02000 | Total State Special Funds | 1,063,270 | 26.5% | 1,673,085 | 35.2% | 1,444,654 | 31.3% |
| | 02003 Misc Grants And Nrd | 3,051 | 0.1% | 3,051 | 0.1% | 3,051 | 0.1% |
| | 02016 Criminal Justice Info Network | 580,598 | 14.5% | 655,281 | 13.8% | 659,134 | 14.3% |
| | 02074 Gambling License Fee Account | 23,453 | 0.6% | 16,652 | 0.4% | 16,652 | 0.4% |
| | 02422 Highways Special Revenue | 57,984 | 1.4% | 57,984 | 1.2% | 57,984 | 1.3% |
| | 02797 Cjis - Background Checks | 398,184 | 9.9% | 940,117 | 19.8% | 707,833 | 15.3% |
| 03000 | Total Federal Special Funds | 83,223 | 2.1% | 82,655 | 1.7% | 85,213 | 1.8% |
| | 03187 Bcc Grants To Dept. Of Justice | 80,955 | 2.0% | 80,387 | 1.7% | 82,945 | 1.8% |
| | 03800 Medicaid Fraud | 2,268 | 0.1% | 2,268 | 0.0% | 2,268 | 0.0% |
| 06000 | Total Proprietary Funds | 6,520 | 0.2% | 13,321 | 0.3% | 13,321 | 0.3% |
| | 06005 Liquor Division | - | - | 6,801 | 0.1% | 6,801 | 0.1% |
| | 06500 Agency Legal Services | 6,520 | 0.2% | 6,520 | 0.1% | 6,520 | 0.1% |
| Grand Total | | <u>\$ 4,015,516</u> | <u>100.0%</u> | <u>\$ 4,748,421</u> | <u>100.0%</u> | <u>\$ 4,620,228</u> | <u>100.0%</u> |

General fund is the primary funding source for the division. Fees generated by the criminal justice information network (CJIN) partially support the operating costs of the CJIN network, as do some federal funds. Proprietary funds are from the agency legal services program and are used to participate in the computer replacement program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|--------------------|------------------|-------------------|-------------------|--------------|--------------------|------------------|-------------------|-------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 555,340 | | | | | 553,452 | |
| Vacancy Savings | | | | (100,742) | | | | | (100,661) | |
| Inflation/Deflation | | | | (4,171) | | | | | (4,149) | |
| Fixed Costs | | | | 31,602 | | | | | 34,531 | |
| Total Statewide Present Law Adjustments | | | | \$482,029 | | | | | \$483,173 | |
| DP 24 - Security and Disaster Recovery Officer FTE | 1.00 | 0 | 62,969 | 0 | 62,969 | 1.00 | 0 | 62,870 | 0 | 62,870 |
| DP 25 - Programmer/Analyst FTE | 1.00 | 0 | 0 | 0 | 0 | 1.00 | 0 | 0 | 0 | 0 |
| DP 26 - Data Base Analyst for FileNet | 1.00 | 0 | 0 | 0 | 0 | 1.00 | 0 | 0 | 0 | 0 |
| DP 27 - Business Systems Analyst FTE | 1.00 | 0 | 0 | 0 | 0 | 1.00 | 0 | 0 | 0 | 0 |
| DP 28 - Systems Production Support and Maintenance FTE | 1.00 | 0 | 0 | 0 | 0 | 1.00 | 0 | 0 | 0 | 0 |
| DP 29 - FBI Background Check Passthru Authority | 0.00 | 0 | 70,000 | 0 | 70,000 | 0.00 | 0 | 70,000 | 0 | 70,000 |
| DP 291 - Eliminate Positions Where Federal Funding was Lost | (2.00) | 0 | 0 | (61,189) | (61,189) | (2.00) | 0 | 0 | (61,021) | (61,021) |
| DP 292 - HB261 Backfill Contract - One time only reduction | 0.00 | (147,927) | 0 | 0 | (147,927) | 0.00 | (147,927) | 0 | 0 | (147,927) |
| Total Other Present Law Adjustments | 3.00 | (\$147,927) | \$132,969 | (\$61,189) | (\$76,147) | 3.00 | (\$147,927) | \$132,870 | (\$61,021) | (\$76,078) |
| Grand Total All Present Law Adjustments | | | | \$405,882 | | | | | \$407,095 | |

DP 24 - Security and Disaster Recovery Officer FTE - The legislature approved 1.00 FTE and state special revenue for a security and disaster recovery officer. This FTE would be responsible for directing the information technology security program. The tasks of this position would include developing, implementing, and maturing of security on all DOJ information technology systems in order to centrally manage physical access, access to systems, educating users of individual responsibilities, and minimizing the possibility of malicious access.

DP 25 - Programmer/Analyst FTE - The legislature approved 1.00 FTE as a Motor Vehicle Division programmer/analyst. This function is currently being accomplished by a contract employee and is funded under contract services. There is no net change in cost.

DP 26 - Data Base Analyst for FileNet - The legislature approved 1.00 FTE as a database administrator. This function is currently being accomplished by a contract employee and is funded under contract services. This FTE will maintain custom DOJ databases and platforms in a FileNet environment.

DP 27 - Business Systems Analyst FTE - The legislature approved 1.00 FTE as a business systems analyst. This function is currently being accomplished by a contract employee and is funded under contract services. There is no net change in cost.

DP 28 - Systems Production Support and Maintenance FTE - The legislature approved 1.00 FTE for a systems production support and maintenance employee beginning in FY 2006, utilizing current level funding from contracted services with a net zero request for spending authority. This requires a transfer of funds from contract services to personal services.

DP 29 - FBI Background Check Pass Through Authority - The legislature approved additional pass-through spending authority required to transfer monies owed to the FBI when fingerprint background checks are conducted by the FBI on behalf of the Department of Justice, Criminal Justice Information Services Bureau. This increase is based on current experience in this area and industry trends. Fingerprinting is increasing due to security needs.

DP 291 - Eliminate Positions Where Federal Funding was Lost - The legislature approved elimination of two positions that were funded from a federal grant that has since expired. These FTE were providing background checks and this process had been automated.

DP 292 - HB261 Backfill Contract - One time only reduction - The legislature approved a reduction in each year of the biennium for several positions in ITSD that were hired to backfill for the HB 261 project.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|---|-------------|--------------------|------------------|-----------------|-------------------|-------------|-------------------|------------------|-----------------|-------------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 293 - Statewide FTE Reduction | | | | | | | | | | |
| 29 | (3.50) | (213,215) | 0 | 0 | (213,215) | (3.52) | (213,448) | 0 | 0 | (213,448) |
| DP 316 - Reinstate statewide FTE reduction | | | | | | | | | | |
| 29 | 3.50 | 0 | 213,215 | 0 | 213,215 | 3.52 | 0 | 213,448 | 0 | 213,448 |
| DP 325 - Criminal History Data Coordination | | | | | | | | | | |
| 29 | 0.00 | 0 | 250,000 | 0 | 250,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 29 | 0.00 | 62,705 | 12,565 | 1,753 | 77,023 | 0.00 | 160,309 | 32,810 | 4,498 | 197,617 |
| Total | 0.00 | (\$150,510) | \$475,780 | \$1,753 | \$327,023* | 0.00 | (\$53,139) | \$246,258 | \$4,498 | \$197,617* |

DP 293 - Statewide FTE Reduction - The legislature approved an FTE reduction to make permanent a personal services reduction made by the 2003 Legislature.

DP 316 - Reinstate statewide FTE reduction - The legislature approved an increase to reinstate DP 293 with state special revenue.

DP 325 - Criminal History Data Coordination - The legislature approved restricted, biennial and one-time-only state special revenue of \$250,000 in FY 2006 to support the Criminal History and Identification process. The Information Technology Services Division is performing this process.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 25.50 | 5.25 | 0.00 | 30.75 | 5.25 | 0.00 | 30.75 | 30.75 |
| Personal Services | 1,538,248 | 402,011 | 53,975 | 1,994,234 | 401,237 | 135,094 | 2,074,579 | 4,068,813 |
| Operating Expenses | 1,060,830 | 62,893 | 409,480 | 1,533,203 | 67,009 | 0 | 1,127,839 | 2,661,042 |
| Equipment | 78,803 | 0 | 0 | 78,803 | 0 | 0 | 78,803 | 157,606 |
| Debt Service | 4,566 | 0 | 0 | 4,566 | 0 | 0 | 4,566 | 9,132 |
| Total Costs | \$2,682,447 | \$464,904 | \$463,455 | \$3,610,806 | \$468,246 | \$135,094 | \$3,285,787 | \$6,896,593 |
| General Fund | 2,289,044 | 463,969 | 51,199 | 2,804,212 | 467,180 | 128,067 | 2,884,291 | 5,688,503 |
| State/Other Special | 303,204 | 0 | 0 | 303,204 | 0 | 0 | 303,204 | 606,408 |
| Federal Special | 90,199 | 935 | 412,256 | 503,390 | 1,066 | 7,027 | 98,292 | 601,682 |
| Total Funds | \$2,682,447 | \$464,904 | \$463,455 | \$3,610,806 | \$468,246 | \$135,094 | \$3,285,787 | \$6,896,593 |

Program Description

The Forensic Science Division includes the State Crime Lab in Missoula and the State Medical Examiner. The division provides a statewide system of death investigation, forensic science training and scientific criminal investigation. The division conducts analysis on specimens submitted by law enforcement officials, coroners and other state agencies. The division tests firearms, tool marks, hair, fiber, drugs, blood, body fluids, and tissues. The laboratory also analyzes blood and urine samples in connection with driving under the influence (DUI) cases and it provides the certification, maintenance, and training of all law enforcement personnel on breath testing instruments.

Program Highlights

| Department of Justice Forensic Science Division Major Budget Highlights | |
|--|---|
| ♦ | General fund increases by \$1.1 million over the base budget due to: <ul style="list-style-type: none"> • 5.00 FTE and \$0.9 million to support workload increases in the Forensic Lab • \$0.2 million for HB 447 pay plan increases • Statewide present law adjustments |
| ♦ | Federal funds increase by \$0.5 million from the base budget due to: <ul style="list-style-type: none"> • An increase for DNA samples required of felons of \$0.4 million • A reduction of 0.75 FTE and \$0.1 million for a position that no longer qualified for federal funding. • Statewide present law adjustments |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Forensic Science Division | | | | | |
|-----------------|--------------------------------------|--|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 2,289,044 | 85.3% | \$ 2,804,212 | 77.7% | \$ 2,884,291 | 87.8% |
| | 01100 General Fund | 2,289,044 | 85.3% | 2,804,212 | 77.7% | 2,884,291 | 87.8% |
| 02000 | Total State Special Funds | 303,204 | 11.3% | 303,204 | 8.4% | 303,204 | 9.2% |
| | 02034 Earmarked Alcohol Funds | 303,204 | 11.3% | 303,204 | 8.4% | 303,204 | 9.2% |
| 03000 | Total Federal Special Funds | 90,199 | 3.4% | 503,390 | 13.9% | 98,292 | 3.0% |
| | 03187 Bcc Grants To Dept. Of Justice | 90,199 | 3.4% | 93,910 | 2.6% | 98,292 | 3.0% |
| | 03214 Special Law Enforcement Assist | - | - | 409,480 | 11.3% | - | - |
| Grand Total | | <u>\$ 2,682,447</u> | <u>100.0%</u> | <u>\$ 3,610,806</u> | <u>100.0%</u> | <u>\$ 3,285,787</u> | <u>100.0%</u> |

Forensic Science Division is funded primarily from the general fund. The division receives approximately \$300,000 annually from the earmarked alcohol tax for laboratory testing and intoxilizer equipment repair, which is done at the lab in support of the DUI Enforcement Program. Federal funds are used to fund certain lab positions and a program to take DNA samples from convicted felons.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|------------------|-------------|------------------|---------------|-------------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 101,145 | | | | | 101,867 |
| Vacancy Savings | | | | (65,576) | | | | | (65,603) |
| Inflation/Deflation | | | | (2,143) | | | | | (2,083) |
| Fixed Costs | | | | 24,861 | | | | | 25,907 |
| Total Statewide Present Law Adjustments | | | | \$58,287 | | | | | \$60,088 |
| DP 30 - Base Adjustment-Annualize Rent | 0.00 | 31,145 | 0 | 0 | 31,145 | 0.00 | 31,145 | 0 | 31,145 |
| DP 31 - Forensic Scientist - Chemist | 1.00 | 61,503 | 0 | 0 | 61,503 | 1.00 | 61,430 | 0 | 61,430 |
| DP 32 - Forensic Science - Serologist/DNA | 1.00 | 61,503 | 0 | 0 | 61,503 | 1.00 | 61,430 | 0 | 61,430 |
| DP 34 - Forensic Scientist - Toxicologist | 0.00 | 0 | 0 | 0 | 1.00 | 61,430 | 0 | 0 | 61,430 |
| DP 35 - Forensic Pathologist | 1.00 | 158,495 | 0 | 0 | 158,495 | 1.00 | 158,649 | 0 | 158,649 |
| DP 111 - Support Forensic Science Lab | 3.00 | 140,000 | 0 | 0 | 140,000 | 2.00 | 80,000 | 0 | 80,000 |
| DP 321 - FTE reduction due to lack of federal funding | (0.75) | 0 | 0 | (37,230) | (0.75) | 0 | 0 | (37,127) | (37,127) |
| DP 322 - Exempt staff pay raise reduction | 0.00 | (8,799) | 0 | 0 | (8,799) | 0.00 | (8,799) | 0 | (8,799) |
| Total Other Present Law Adjustments | | | | \$406,617 | 5.25 | \$445,285 | \$0 | (\$37,127) | \$408,158 |
| Grand Total All Present Law Adjustments | | | | \$464,904 | | | | | \$468,246 |

DP 30 - Base Adjustment-Annualize Rent - The legislature approved an increase for the lease that provides office space for the forensic laboratory in Missoula. The lease is for 31,145 sq. ft and the increase is \$1.00 per sq. ft. The Forensic Science Division leases space from a private vendor.

DP 31 - Forensic Scientist - Chemist - The legislature approved 1.00 FTE as a chemist. This FTE would keep the current number of chemists at four, as this FTE would replace with general fund a position that is currently funded with federal funds that expire on June 30, 2005. This section analyzes solid dosage drugs submitted by law enforcement. Examples include illegal street drugs, substances from clandestine laboratories, prescription drugs, product tampering cases, and animal poisoning cases. This section also analyzes gun shot residue, paint, ignitable liquids, explosives and filament.

DP 32 - Forensic Science - Serologist/DNA - The legislature approved 1.00 FTE serologist/DNA. This position would keep the current number of serologists at four, as it changes the funding of 1.00 FTE to general fund from the current federal funds, which expire on June 30, 2005. This section of the laboratory provides the forensic analysis of biological evidence for the law enforcement agencies of Montana. The Serology/DNA section of the laboratory identifies probative biological fluids and develops DNA profiles that identify the source of the fluid.

DP 34 - Forensic Scientist - Toxicologist - The legislature approved 1.00 FTE as a toxicologist. This section of the laboratory analyzes biological specimens submitted by law enforcement, correctional agencies, county coroners, and forensic pathologists. Some of the primary duties of this section include establishing the cause or clarifying the circumstances of death through a post-mortem investigation and confirming the presence or absence of alcohol and/or drugs in corrections programs submissions and in DUI cases.

DP 35 - Forensic Pathologist - The legislature approved 1.00 FTE for a pathologist associate medical examiner to address the increased number of autopsies conducted at the lab. A forensic pathologist is responsible for determining the cause and manner of sudden unexpected deaths, or deaths unattended by a physician. The pathologist performs forensic autopsies, collects evidence to be analyzed by other scientists in the laboratory, serves as an advisor to the coroners throughout Montana, and reviews all coroners' reports on deaths occurring in the state. The forensic pathologist also assists investigators and scientists with crime scene reconstruction.

DP 111 - Support Forensic Science Lab - The legislature approved 3.00 FTE in FY 2006 and 2.00 FTE in FY 2007. The positions would work to reduce the backlog in the forensic lab and to address increases in caseload.

DP 321 - FTE reduction due to lack of federal funding - The legislature approved a 0.75 FTE reduction, as the department did not receive the federal funding necessary to maintain the position.

DP 322 - Exempt staff pay raise reduction - The legislature reduced funding for exempt staff pay raises awarded in the 2005 biennium to the FY 2004 base level.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|------------------|-------------------|-------------|------------------|---------------|-----------------|-------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | Total Funds |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | |
| DP 327 - DNA Felons Federal Funds | | | | | | | | | | |
| 32 | 0.00 | 0 | 0 | 409,480 | 409,480 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 32 | 0.00 | 51,199 | 0 | 2,776 | 53,975 | 0.00 | 128,067 | 0 | 7,027 | 135,094 |
| Total | 0.00 | \$51,199 | \$0 | \$412,256 | \$463,455* | 0.00 | \$128,067 | \$0 | \$7,027 | \$135,094* |

DP 327 - DNA Felons Federal Funds - The legislature approved a biennial appropriation for \$409,480 in federal funds to contract with the forensic DNA labs for analysis of DNA samples of convicted felons as per the provisions of HB 113.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The department shall prepare an economic analysis that compares the value of a purchase by the state versus the continued lease by the state of the forensic lab facility located in Missoula. The department shall present this analysis to the legislative finance committee at its first meeting following July 1, 2005."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 39.00 | 0.00 | 0.00 | 39.00 | 0.00 | 0.00 | 39.00 | 39.00 |
| Personal Services | 2,192,162 | 87,689 | 66,633 | 2,346,484 | 86,517 | 171,991 | 2,450,670 | 4,797,154 |
| Operating Expenses | 491,108 | 117,017 | 0 | 608,125 | 57,375 | 0 | 548,483 | 1,156,608 |
| Total Costs | \$2,683,270 | \$204,706 | \$66,633 | \$2,954,609 | \$143,892 | \$171,991 | \$2,999,153 | \$5,953,762 |
| General Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State/Other Special | 2,669,538 | 204,706 | 65,965 | 2,940,209 | 143,892 | 170,277 | 2,983,707 | 5,923,916 |
| Federal Special | 13,732 | 0 | 668 | 14,400 | 0 | 1,714 | 15,446 | 29,846 |
| Total Funds | \$2,683,270 | \$204,706 | \$66,633 | \$2,954,609 | \$143,892 | \$171,991 | \$2,999,153 | \$5,953,762 |

Agency Description

The Department of Public Service Regulation (PSR) regulates the operations of public utility and transportation industries that operate in the state. Five commissioners, elected from districts throughout Montana, form the Montana Public Service Commission (PSC) that oversees the PSR. Each commissioner serves a four-year term.

Agency Highlights

| Public Service Regulation Major Budget Highlights | |
|--|--|
| ♦ | Total funding increases by \$587,000 over the base budget due primarily to: <ul style="list-style-type: none"> • HB 447 pay plan increase of \$238,000 • \$69,000 contingency to fund consultants in case of increased workload • Computer replacement of \$52,000 • Statewide present law adjustments |

Summary of Legislative Action

The legislature added present law adjustments of \$204,706 in FY 2006 and \$143,892 in FY 2007, mostly due to statewide present law adjustments, increases for replacement computers, rent, travel and training, and consultant funding. The legislature added \$238,000 in new proposals in the 2007 biennium due to pay plan increases as provided by HB 447.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 39.00 | 39.00 | 39.00 | 0.00 | 39.00 | 39.00 | 0.00 | |
| Personal Services | 2,192,162 | 2,279,851 | 2,346,484 | 66,633 | 2,278,679 | 2,450,670 | 171,991 | 238,624 |
| Operating Expenses | 491,108 | 658,125 | 608,125 | (50,000) | 498,483 | 548,483 | 50,000 | 0 |
| Total Costs | \$2,683,270 | \$2,937,976 | \$2,954,609 | \$16,633 | \$2,777,162 | \$2,999,153 | \$221,991 | \$238,624 |
| General Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State/Other Special | 2,669,538 | 2,924,244 | 2,940,209 | 15,965 | 2,763,430 | 2,983,707 | 220,277 | 236,242 |
| Federal Special | 13,732 | 13,732 | 14,400 | 668 | 13,732 | 15,446 | 1,714 | 2,382 |
| Total Funds | \$2,683,270 | \$2,937,976 | \$2,954,609 | \$16,633 | \$2,777,162 | \$2,999,153 | \$221,991 | \$238,624 |

The legislature added \$238,000 in new proposals in the 2007 biennium due to pay plan increases as provided by HB 447.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

| Program Funding Table Public Service Regulation | | | | | | | |
|--|---------------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | 2,669,538 | 99.5% | 2,940,209 | 99.5% | 2,983,707 | 99.5% |
| | 02281 Public Service Commission | 2,669,538 | 99.5% | 2,940,209 | 99.5% | 2,983,707 | 99.5% |
| 03000 | Total Federal Special Funds | 13,732 | 0.5% | 14,400 | 0.5% | 15,446 | 0.5% |
| | 03011 Natural Gas Safety Pgm | 13,732 | 0.5% | 14,400 | 0.5% | 15,446 | 0.5% |
| Grand Total | | \$ 2,683,270 | 100.0% | \$ 2,954,609 | 100.0% | \$ 2,999,153 | 100.0% |

The Public Service Regulation program is funded primarily by state special revenue that consists of a constitutionally earmarked fee levied on all regulated entities under its jurisdiction. This fee is levied quarterly. The amount raised by the fee must equal the amount appropriated to the commission by the legislature for a particular year. Fees are deposited directly into a state special revenue account. Sections 69-1-401 through 403, MCA discuss how the fee is calculated, applied, and collected. Fees are based upon a percentage of the gross revenues from all entities regulated by the Public Service Commission for a calendar quarter of operation. Minor amounts of funding are from federal funds that come from the U.S. Department of Transportation. This funding source supports the Natural Gas Pipeline Safety program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-----------------------|--------------|---------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 162,708 | | | | | 161,548 |
| Vacancy Savings | | | | (75,019) | | | | | (75,031) |
| Inflation/Deflation | | | | (5,031) | | | | | (4,958) |
| Fixed Costs | | | | 21,469 | | | | | 548 |
| Total Statewide Present Law Adjustments | | | | \$104,127 | | | | | \$82,107 |
| DP 1 - Computer Replacement | | | | | | | | | |
| 0.00 | 0 | 48,274 | 0 | 48,274 | 0.00 | 0 | 4,095 | 0 | 4,095 |
| DP 2 - Travel/Training | | | | | | | | | |
| 0.00 | 0 | 7,500 | 0 | 7,500 | 0.00 | 0 | 7,500 | 0 | 7,500 |
| DP 3 - Consultant Funds | | | | | | | | | |
| 0.00 | 0 | 34,500 | 0 | 34,500 | 0.00 | 0 | 34,500 | 0 | 34,500 |
| DP 4 - Building Rent | | | | | | | | | |
| 0.00 | 0 | 10,305 | 0 | 10,305 | 0.00 | 0 | 15,690 | 0 | 15,690 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$100,579 | \$0 | \$100,579 | 0.00 | \$0 | \$61,785 | \$0 | \$61,785 |
| Grand Total All Present Law Adjustments | | | | \$204,706 | | | | | \$143,892 |

DP 1 - Computer Replacement - The legislature approved state special revenue to fund the replacement of 26 desktop and 6 laptop computers and 1 server in FY 2006 and 7 desktop computers and 1 laptop computer in FY 2007. These computer replacements are based on a four-year replacement cycle. The legislature approved this authority as restricted and one-time-only.

DP 2 - Travel/Training - The legislature approved an increase in the department's travel and training budget of \$7,500 in each year of the biennium. This increase would be used to fund two items. First, it would fund travel and training for three new commissioners who came on board on January 1, 2005. Commissioners without a regulatory background usually attend training, which is not available in Montana. This travel and training is in addition to their normal travel and training. The amount related to this budget item is \$4,000 in each fiscal year and was identified by the legislature as one-time-only authority. Secondly, this decision package would fund travel by the commission to fulfill its responsibility to monitor and participate in the Regional Transmission Organization (RTO). The RTO is a regional organization that is studying ways to effectively combine transmission facilities that are currently managed by many entities in various states into one entity that is managed by the region. The amount of this budget item is \$3,500 in each fiscal year.

DP 3 - Consultant Funds - The legislature approved a contingency fund to be established with state special revenue used to hire consultants only if the need arises. The legislature made this authority biennial. The amount of funding was approved at \$69,000 for the biennium. These funds would be used to contract with consultants during times when workload requirements are in excess of staff capacity or when a special project arises that requires expertise that is not available in-house.

DP 4 - Building Rent - The legislature approved state special revenue to cover increases in office rent of \$10,305 in FY 2006 and \$15,690 in FY 2007. These increases are based upon a provision in a long-term contract negotiated by the Department of Administration that inflates the rent cost by 3 percent each year. The rental agreement began in 1991 and terminates in 2011.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 0 | 65,965 | 668 | 66,633 | 0.00 | 0 | 170,277 | 1,714 | 171,991 |
| Total | 0.00 | \$0 | \$65,965 | \$668 | \$66,633 | 0.00 | \$0 | \$170,277 | \$1,714 | \$171,991 |

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 1,095.05 | 10.70 | 59.64 | 1,165.39 | 14.70 | 59.64 | 1,169.39 | 1,169.39 |
| Personal Services | 46,769,287 | 2,739,947 | 3,864,458 | 53,373,692 | 2,893,278 | 6,212,540 | 55,875,105 | 109,248,797 |
| Operating Expenses | 53,475,361 | 6,939,418 | 1,640,692 | 62,055,471 | 6,565,933 | 4,349,235 | 64,390,529 | 126,446,000 |
| Equipment | 186,727 | 0 | 0 | 186,727 | 0 | 0 | 186,727 | 373,454 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits & Claims | 6,072,076 | 0 | 1,770,304 | 7,842,380 | 0 | 1,770,304 | 7,842,380 | 15,684,760 |
| Debt Service | 292,045 | 0 | 0 | 292,045 | (108,354) | 0 | 183,691 | 475,736 |
| Total Costs | \$106,795,496 | \$9,679,365 | \$7,275,454 | \$123,750,315 | \$9,350,857 | \$12,332,079 | \$128,478,432 | \$252,228,747 |
| General Fund | 104,019,287 | 9,085,456 | 6,874,986 | 119,979,729 | 8,766,142 | 11,928,640 | 124,714,069 | 244,693,798 |
| State/Other Special | 2,084,959 | 242,510 | 395,648 | 2,723,117 | 239,459 | 390,850 | 2,715,268 | 5,438,385 |
| Federal Special | 228,677 | 326,175 | 0 | 554,852 | 326,175 | 0 | 554,852 | 1,109,704 |
| Proprietary | 462,573 | 25,224 | 4,820 | 492,617 | 19,081 | 12,589 | 494,243 | 986,860 |
| Total Funds | \$106,795,496 | \$9,679,365 | \$7,275,454 | \$123,750,315 | \$9,350,857 | \$12,332,079 | \$128,478,432 | \$252,228,747 |

Agency Description

The Department of Corrections (DOC), authorized in section 2-15-2301, MCA, is directed in section 53-1-201, MCA, to "utilize at maximum efficiency the resources of state government in a coordinated effort to: 1) develop and maintain comprehensive services and programs in the field of adult and youth corrections; and 2) provide for the care, protection, and mental and physical development of youth alleged to be youth in need of supervision, or delinquent youth who are referred or committed to the department." The department's five programs are:

1. Administration and Support Services:
 - a. Director's Office: Provides training, internal audit, victims information, policy, and investigation
 - b. Centralized Services Division: This office provides accounting, budgeting, legal services, human resources, automation technology, and statistics
 - c. Board of Pardons: This office is administratively attached to the Department of Corrections
2. Community Corrections:
 - a. Community Corrections Administration
 - b. Treasure State Correctional Training (Adult boot camp) at the Montana State Prison (MSP)
 - c. Pre-release programs (Adult)
 - d. Probation and parole
 - e. DUI Unit (WATCH Alcohol treatment facility at Warm Springs)
3. Secure Custody:
 - a. Montana State Prison in Deer Lodge
 - b. Montana Women's Prison in Billings
 - c. Contract bed facilities in Shelby, Great Falls, Missoula, and Glendive (regional prisons)
4. Montana Correctional Enterprises:
 - a. Ranch
 - b. Dairy
 - c. License plate factory
 - d. Vocational education
 - e. Prison industries programs
5. Juvenile Corrections Division:
 - a. Juvenile Corrections Administration
 - b. Juvenile Corrections Bureau: juvenile parole officers and detention licensing
 - c. Riverside Youth Correctional Facility in Boulder (juvenile female offenders)

- d. Transition Center in Great Falls
- e. Pine Hills Youth Correctional Facility in Miles City (juvenile male offenders)
- f. Juvenile Placement Funds

Agency Highlights

| Department of Corrections Major Budget Highlights | |
|--|--|
| ◆ | <p>The legislature provided an increase in total funding of \$38.6 million over the doubled base budget primarily to address the department's projected increase in adult populations of approximately 4.5 percent in each fiscal year of the biennium</p> <ul style="list-style-type: none"> • Funding for contract beds was increased by \$6.0 million for beds at existing secure facilities under existing contracts but there were no funds approved to expand contract facilities • The legislature preferred that the department move a greater percentage of inmates into pre release facilities and approved \$9.0 million to fund this effort • The legislature approved funding for a new revocation center at the Montana State Prison of \$5.5 million and 56.64 FTE to staff this function • The legislature approved funding for 19.00 FTE for additional probation and parole officers of \$1.4 million • Funding of \$1.5 million was provided for increases in the per diem paid to county-managed regional prisons, prerelease centers, the operator of the private prison in Shelby, and the Warm Springs Addictions Treatment and Change Program (WATCH) program of to cover past funding deficits • The legislature approved funding for the January 1, 2006 license plate re-issue in the amount of \$4.4 million |

Summary of Legislative Action

The legislature approved \$17.0 million and 59.64 FTE in FY 2006 and \$21.7 million and 59.64 FTE in FY 2007 over the 2004 base budget.

Projections prepared by the Department of Corrections show adult secure care populations growing beyond the safe capacity of the current secure care facilities. The executive had proposed addressing this projected increase through an expansion of the private prison in Shelby. The legislature was not in favor of expanding this facility, which is owned and operated by the Corrections Corporation of America. Instead the legislature took the following action:

- The department will use all available beds at the Shelby facility as allowed under the current contract. This includes 88 beds that are currently occupied by offenders under the jurisdiction of the U.S. Marshall. Prior to the end of the 2005 legislative session the department provided the U.S. Marshall notice to remove their offenders from this facility. The department will use all available beds at the county-managed regional prisons that are allowed under current contracts. The department may seek out contract beds that would serve "special needs" offenders. These offenders include the elderly, offenders with advanced health or medical conditions, sex offenders, and drug addicts. A general fund appropriation of \$1.5 million in FY 2006 and \$4.5 million in FY 2007 was approved for additional contract beds for existing and new facilities as noted above.
- The legislature approved a plan submitted by the department to renovate the old offender intake and reception center located at the Montana State Prison into a new revocation center that will hold 85 offenders. The legislature

approved 56.64 FTE and general fund of \$2.8 million in FY 2006 and 56.64 FTE and general fund of \$2.7 million in FY 2007 to support this effort.

- The legislature approved \$1.3 million in general fund in each fiscal year of the biennium for additional beds in pre release facilities as per the request of the Governor. However, the legislature also approved an additional \$1.9 million in FY 2006 and \$4.5 million in FY 2007 that is over and above the Governor's request to provide even more beds of this nature.
- The legislature approved an appropriation of \$0.6 million and 15.00 FTE in FY 2006 and \$0.8 million and 19.00 FTE in FY for additional probation and parole staff.

In addition to these actions to address increases in the average daily adult population, the legislature took the following actions on the department budget:

- Approved \$1.5 million for the 2007 biennium for increased per diem for the WATCH program, the county-managed regional prisons, the pre release centers, and the private prison in Shelby. This increase was approximately 2 percent in FY 2006 and 4 percent in FY 2007 over the FY 2004 per diem rates for all entities other than the private prison. The private prison's increase was 2 percent for FY 2006 and zero for FY 2007 over the FY 2004 per diem rate.
- Approved an appropriation for overtime and holiday payout for \$0.8 million in general fund in each fiscal year of the biennium. This appropriation may be approximately \$0.9 million short for the 2007 biennium as per a Legislative Fiscal Division issue in the budget analysis.
- Approved a general fund appropriation of \$3.9 million in FY 2006 and \$0.5 million in FY 2007 to produce new license plates for the January 1, 2006 reissue.
- Approved appropriation of \$5.3 million for HB 447 pay plan increases.

The figure below provides a historical pattern of the adult population growth from FY 1997 through FY 2004 and a forecast for FY 2005 and the 2007 biennium.

| Figure 1 | | | | | | | | | | | |
|---------------------------------------|----------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Department of Corrections | | | | | | | | | | | |
| Adult Average Daily Population Growth | | | | | | | | | | | |
| | Actual FY 1997 | 1997 Through FY 1998 | 1998 Through FY 1999 | 1999 Through FY 2000 | 2000 Through FY 2001 | 2001 Through FY 2002 | 2002 Through FY 2003 | 2003 Through FY 2004 | 2004 Through FY 2005 | 2005 Through FY 2006 | 2006 Through FY 2007 |
| Montana State Prison | 1,289 | 1,261 | 1,288 | 1,261 | 1,268 | 1,319 | 1,307 | 1,325 | 1,429 | 1,525 | 1,525 |
| MSP Expansion Unit | 52 | 54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| County Jails & Regional Prisons | 142 | 204 | 310 | 441 | 455 | 519 | 474 | 548 | 538 | 473 | 616 |
| Private Prison | 224 | 350 | 341 | 307 | 384 | 394 | 348 | 391 | 420 | 472 | 472 |
| Boot Camp | 28 | 20 | 30 | 34 | 42 | 44 | 50 | 54 | 55 | 57 | 57 |
| Pre-Release | 258 | 294 | 357 | 413 | 423 | 467 | 494 | 500 | 540 | 633 | 679 |
| WATCH Program (DUI) | 0 | 0 | 0 | 0 | 0 | 27 | 119 | 116 | 116 | 116 | 116 |
| Sub-total Males | 1,993 | 2,183 | 2,326 | 2,456 | 2,572 | 2,770 | 2,793 | 2,934 | 3,098 | 3,276 | 3,465 |
| % Growth | 11.28% | 9.53% | 6.55% | 5.59% | 4.72% | 7.70% | 0.83% | 5.05% | 5.58% | 5.76% | 5.76% |
| Montana Women's Prison | 69 | 71 | 69 | 70 | 71 | 74 | 130 | 177 | 205 | 217 | 201 |
| Boot Camp | 0 | 0 | 1 | 3 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intensive Challenge Program | 0 | 0 | 0 | 0 | 0 | 7 | 6 | 7 | 12 | 0 | 0 |
| County Jails & Regional Prisons | 5 | 20 | 16 | 12 | 16 | 22 | 11 | 10 | 26 | 56 | 35 |
| Private Prison | 0 | 4 | 40 | 50 | 61 | 74 | 7 | 0 | 0 | 0 | 0 |
| Pre-Release | 54 | 86 | 87 | 95 | 111 | 115 | 119 | 132 | 132 | 157 | 256 |
| WATCH Program (DUI) | 0 | 0 | 0 | 0 | 0 | 2 | 17 | 25 | 24 | 24 | 24 |
| Sub-total Females | 128 | 181 | 213 | 230 | 263 | 295 | 290 | 351 | 399 | 454 | 516 |
| % Growth | 18.52% | 41.41% | 17.68% | 7.98% | 14.35% | 11.98% | -1.52% | 20.93% | 13.76% | 13.76% | 13.76% |
| Intensive Supervision Program | 156 | 156 | 184 | 194 | 226 | 252 | 277 | 255 | 260 | 280 | 280 |
| % Growth | 28.93% | 0.00% | 17.95% | 5.43% | 16.49% | 11.50% | 9.88% | -7.97% | 2.04% | 7.69% | 0.00% |
| Probation & Parole | 5,176 | 5,431 | 5,787 | 5,963 | 6,047 | 6,104 | 6,552 | 6,813 | 7,052 | 7,279 | 7,534 |
| % Growth | 3.67% | 4.93% | 6.55% | 3.04% | 1.41% | 0.94% | 7.33% | 3.99% | 3.50% | 3.23% | 3.50% |
| Total Adult ADP | 7,453 | 7,951 | 8,510 | 8,843 | 9,108 | 9,421 | 9,912 | 10,353 | 10,808 | 11,289 | 11,795 |
| % Growth | 6.27% | 6.68% | 7.03% | 3.91% | 3.00% | 3.43% | 5.21% | 4.45% | 4.39% | 4.45% | 4.48% |

Supplemental Appropriation

The legislature approved a \$4.4 million general fund supplemental appropriation for the Department of Corrections in FY 2005. This supplemental appropriation was made for several reasons. First, the original budget for the adult daily population growth (ADP) was 10,368 while the revised forecast presented to the legislature by the Department of Corrections expected the ADP to be 10,803 or 435 ADP over the original budget. The costs related to this variance are \$2.3 million. The department's reforecast also expected that their inability to create vacancy savings in secure facilities would add \$2.3 million to the variance. Other variances totaled \$1.7 million and include: \$0.4 million for outside medical cost overruns, \$0.3 million for increased utility costs, \$0.5 million for costs related to the new Eastmont Campus, and \$0.5 million for costs related to overtime. These variances were in part offset by \$0.9 million in funding from the Governor's personal services contingency fund and \$1.0 million from Federal Job and Growth Tax Relief Reconciliation funds.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | | |
|--|----------------|--------------|--------------|-------------|----------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Proprietary | Grand Total | Total % |
| 01 Admin And Support Services | \$ 20,415,777 | \$ 486,037 | \$ - | \$ 106,399 | \$ 21,008,213 | 8.3% |
| 02 Community Corrections | 63,233,972 | 1,060,004 | - | - | 64,293,976 | 25.5% |
| 03 Secure Custody Facilities | 116,962,355 | 2,478,702 | 187,168 | - | 119,628,225 | 47.4% |
| 04 Mont Correctional Enterprises | 7,593,091 | - | - | 880,461 | 8,473,552 | 3.4% |
| 05 Juvenile Corrections | 36,488,603 | 1,413,642 | 922,536 | - | 38,824,781 | 15.4% |
| Grand Total | \$ 244,693,798 | \$ 5,438,385 | \$ 1,109,704 | \$ 986,860 | \$ 252,228,747 | 100.0% |

Other Legislation

House Bill 288 – This bill transfers the function that collects offender supervision fees from the county clerks of court to the Department of Corrections. Offender supervision fees are a monthly fee paid by an offender for being supervised by the Department of Corrections.

Senate Bill 146 – This bill establishes the statewide public defender system and transfers certain functions and related funding from the Department of Corrections to the Office of the Public Defender.

Senate Bill 426 – This bill revises laws pertaining to the confidentiality and information sharing of youth court records to protect youth and requires that the appropriate control methods be used by the youth court and the by the Department of Corrections to ensure adequate integrity, security, and confidentiality of any electronic records.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 1,095.05 | 1,105.75 | 1,165.39 | 59.64 | 1,109.75 | 1,169.39 | 59.64 | |
| Personal Services | 46,769,287 | 49,509,234 | 53,373,692 | 3,864,458 | 49,662,565 | 55,875,105 | 6,212,540 | 10,076,998 |
| Operating Expenses | 53,475,361 | 64,613,953 | 62,055,471 | (2,558,482) | 64,736,017 | 64,390,529 | (345,488) | (2,903,970) |
| Equipment | 186,727 | 186,727 | 186,727 | 0 | 186,727 | 186,727 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits & Claims | 6,072,076 | 6,072,076 | 7,842,380 | 1,770,304 | 6,072,076 | 7,842,380 | 1,770,304 | 3,540,608 |
| Debt Service | 292,045 | 292,045 | 292,045 | 0 | 183,691 | 183,691 | 0 | 0 |
| Total Costs | \$106,795,496 | \$120,674,035 | \$123,750,315 | \$3,076,280 | \$120,841,076 | \$128,478,432 | \$7,637,356 | \$10,713,636 |
| General Fund | 104,019,287 | 117,303,917 | 119,979,729 | 2,675,812 | 117,480,152 | 124,714,069 | 7,233,917 | 9,909,729 |
| State/Other Special | 2,084,959 | 2,327,469 | 2,723,117 | 395,648 | 2,324,418 | 2,715,268 | 390,850 | 786,498 |
| Federal Special | 228,677 | 554,852 | 554,852 | 0 | 554,852 | 554,852 | 0 | 0 |
| Proprietary | 462,573 | 487,797 | 492,617 | 4,820 | 481,654 | 494,243 | 12,589 | 17,409 |
| Total Funds | \$106,795,496 | \$120,674,035 | \$123,750,315 | \$3,076,280 | \$120,841,076 | \$128,478,432 | \$7,637,356 | \$10,713,636 |

The legislative budget has 59.64 more FTE in each fiscal year than the executive budget. The legislative budget is \$3.1 million greater in FY 2006 and \$7.6 million more in general fund in FY 2007 than the executive budget. This difference is due to the following:

- General fund authority was not approved for \$1.4 million in FY 2006 and \$0.2 million in FY 2007 for a new offender tracking system
- 3.00 FTE and \$0.2 million was added to process the collection of inmate supervisory fees
- A transfer of \$50,141 of prisoner evaluation costs from the Administration and Support Services program to the Statewide Public Defender System was approved for FY 2007.
- General fund of \$20,000 was approved to implement a program to secure the electronic records of youth
- A request from Montana's pre-release centers to increase per diem payments was approved for general fund of \$0.2 million in FY 2006 and \$0.5 million in FY 2007
- A request from the DUI program in Warm Springs to increase per diem payments was approved for general fund of \$0.1 million in each fiscal year of the biennium
- A request from the county-managed regional prisons to increase per diem payments was approved for general fund of \$0.1 million in FY 2006 and \$0.3 million in FY 2007
- A request from Corrections Corporation of America to increase per diem payments was approved for general fund of \$0.2 million in FY 2006
- The legislature decreased the executive budget for contract beds by \$2.7 million in FY 2006 and by \$4.5 million in FY 2007.
- State special revenue was approved for \$0.3 million in each fiscal year for authority to expend contributions by parents of adjudicated youths towards the cost of care
- A transfer of \$1.5 million in each fiscal year from the Secure Custody Facilities program to the Juvenile Delinquency Intervention program was approved
- The legislature added general fund of \$11.9 million to fund additional pre-release beds and an expansion at the Montana State Prison as follows:
 - Increased pre-release beds by 158 at a general fund cost of \$1.9 million in FY 2006 and by 287 beds with a general fund cost of \$4.5 million in FY 2007
 - Approved an expansion at the Montana State Prison in Deer Lodge, which will provide a revocation center that will house 85 offenders. The old intake and reception center will be converted to this revocation center. The legislature approved 56.64 FTE and general fund of \$2.8 million in FY 2006 and 56.64 FTE and general fund of \$2.7 million in FY 2007 to support this effort.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 94.50 | 0.00 | 3.00 | 97.50 | 0.00 | 3.00 | 97.50 | 97.50 |
| Personal Services | 3,754,812 | 828,384 | 224,408 | 4,807,604 | 825,857 | 439,399 | 5,020,068 | 9,827,672 |
| Operating Expenses | 5,987,744 | (370,317) | 53,902 | 5,671,329 | (450,516) | (28,016) | 5,509,212 | 11,180,541 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$9,742,556 | \$458,067 | \$278,310 | \$10,478,933 | \$375,341 | \$411,383 | \$10,529,280 | \$21,008,213 |
| General Fund | 9,542,890 | 479,855 | 152,966 | 10,175,711 | 406,339 | 290,837 | 10,240,066 | 20,415,777 |
| State/Other Special | 105,261 | 16,338 | 125,344 | 246,943 | 13,287 | 120,546 | 239,094 | 486,037 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 94,405 | (38,126) | 0 | 56,279 | (44,285) | 0 | 50,120 | 106,399 |
| Total Funds | \$9,742,556 | \$458,067 | \$278,310 | \$10,478,933 | \$375,341 | \$411,383 | \$10,529,280 | \$21,008,213 |

Program Description

The Administration and Support Services Program includes the Director's Office, Centralized Services Division and the administratively attached Board of Pardons. This program provides to the department, government entities, and the public various administrative and management support, human resource, budget, accounting, information technology, legal information, technical correctional services, policy and staff development, and research and statistics.

Program Highlights

| Department of Corrections Administration and Support Services Program Major Budget Highlights | |
|--|--|
| <ul style="list-style-type: none"> • General fund increases by \$1.3 million over the base budget primarily due to statewide present law adjustments and HB 447 pay plan increases • State special revenue increases by \$0.3 million primarily due to the transfer of the collection function for inmate supervisory fees from county clerks of court | |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Admin And Support Service | | | | | |
|-----------------|------------------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 9,542,890 | 98.0% | \$ 10,175,711 | 97.1% | \$ 10,240,066 | 97.3% |
| | 01100 General Fund | 9,542,890 | 98.0% | 10,175,711 | 97.1% | 10,240,066 | 97.3% |
| 02000 | Total State Special Funds | 105,261 | 1.1% | 246,943 | 2.4% | 239,094 | 2.3% |
| | 02689 Offender Restitution | 98,659 | 1.0% | 243,892 | 2.3% | 239,094 | 2.3% |
| | 02917 Msp Canteen Revolving Acct | 1,322 | 0.0% | 937 | 0.0% | - | - |
| | 02927 Phs Donations/I & I | 5,280 | 0.1% | 2,114 | 0.0% | - | - |
| 06000 | Total Proprietary Funds | 94,405 | 1.0% | 56,279 | 0.5% | 50,120 | 0.5% |
| | 06033 Prison Ranch | 64,945 | 0.7% | 38,238 | 0.4% | 35,689 | 0.3% |
| | 06034 Msp Institutional Industries | 20,583 | 0.2% | 12,486 | 0.1% | 10,621 | 0.1% |
| | 06545 Prison Indust. Training Prog | 8,877 | 0.1% | 5,555 | 0.1% | 3,810 | 0.0% |
| Grand Total | | \$ 9,742,556 | 100.0% | \$ 10,478,933 | 100.0% | \$ 10,529,280 | 100.0% |

This program is funded primarily with general fund and has a minor amount of state special revenue and proprietary funds. State special revenue funds are from the inmate welfare fund, restitution, Montana State Prison canteen, funds provided by parental contributions, and the Pine Hills Youth Correctional Facility canteen. Proprietary funds are from correctional enterprises such as the ranch and dairy.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 991,275 | | | | | 988,645 |
| Vacancy Savings | | | | | (189,841) | | | | | (189,738) |
| Inflation/Deflation | | | | | (18,519) | | | | | (18,325) |
| Fixed Costs | | | | | (371,687) | | | | | (452,080) |
| Total Statewide Present Law Adjustments | | | | | \$411,228 | | | | | \$328,502 |
| | | | | | | | | | | |
| DP 14 - Restitution Program Increase | 0.00 | 0 | 19,889 | 0 | 19,889 | 0.00 | 0 | 19,889 | 0 | 19,889 |
| DP 18 - Board Of Pardons Member Per Diem | 0.00 | 26,950 | 0 | 0 | 26,950 | 0.00 | 26,950 | 0 | 0 | 26,950 |
| | | | | | | | | | | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$26,950 | \$19,889 | \$0 | \$46,839 | 0.00 | \$26,950 | \$19,889 | \$0 | \$46,839 |
| | | | | | | | | | | |
| Grand Total All Present Law Adjustments | | | | | \$458,067 | | | | | \$375,341 |

DP 14 - Restitution Program Increase - The legislature approved state special revenue of \$19,889 in FY 2006 and \$19,889 in FY 2007. This is for processing restitution payments. The restitution unit collects restitution from offenders and makes payments to victims of crime. This request relates to an increase in collections, which increases workload and operating costs. The annual increase of \$19,899 is comprised of \$11,090 in personal services costs and \$8,799 in operation costs. Operating costs include: postage, long distance phone calls, check printing, envelopes, and office equipment. The state began managing this program in October of 2003. Prior to that date the counties managed the program.

DP 18 - Board Of Pardons Member Per Diem - The legislature approved general fund of \$26,950 in FY 2006 and FY 2007 to fund the Board of Pardons' member per diem. Members receive \$50 per day for every day that the member is engaged in the performance of board duties. Board member compensation is outlined in 2-25-124 (7), MCA. This expenditure is a zero-based activity. The board conducts monthly hearings throughout the state at each of the prisons and pre-release centers. In addition to parole hearings, the board conducts numerous revocation, rescission, and administrative reviews. The activities of the board are expected to be accomplished in 77 days per fiscal year (77 days x \$50 per day x 7 board members = \$26,950).

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|------------------|-----------------|-------------------|-------------|------------------|------------------|-----------------|-------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 317 - Transfer Contract Costs to Public Defender | | | | | | | | | | |
| 01 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | (50,141) | 0 | 0 | (50,141) |
| DP 318 - Collection of Inmate Supervisory Fees | | | | | | | | | | |
| 01 | 3.00 | 0 | 122,339 | 0 | 122,339 | 3.00 | 0 | 112,635 | 0 | 112,635 |
| DP 319 - Security - Youth Records | | | | | | | | | | |
| 01 | 0.00 | 20,000 | 0 | 0 | 20,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 132,966 | 3,005 | 0 | 135,971 | 0.00 | 340,978 | 7,911 | 0 | 348,889 |
| Total | 3.00 | \$152,966 | \$125,344 | \$0 | \$278,310* | 3.00 | \$290,837 | \$120,546 | \$0 | \$411,383* |

DP 317 - Transfer Contract Costs to Public Defender - The legislature approved the transfer of certain functions and related funding from the Department of Corrections to the Statewide Public Defender Office as per the provisions of SB 146.

DP 318 - Collection of Inmate Supervisory Fees - The legislature approved state special revenue of \$122,339 in FY 2006 and \$112,635 in FY 2007 to support collection of collection of supervisory fees received by the Department of Corrections from offenders. This decision package would transfer this collection function from the county Clerks of Court to the Department of Corrections.

DP 319 - Security - Youth Records - The legislature approved general fund of \$20,000 in FY 2006 to fund the adoption of measures to protect the security of electronic youth records.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*; however, his authority to do so is questioned and may be challenged through legal action.

"The department shall report annually to the legislative finance committee by September 15 on the amounts collected by the restitution unit, the amounts disbursed to victims of crime by that unit, and the cost to administer the program."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 205.00 | 15.00 | 0.00 | 220.00 | 19.00 | 0.00 | 224.00 | 224.00 |
| Personal Services | 9,291,137 | 526,295 | 291,774 | 10,109,206 | 670,440 | 752,477 | 10,714,054 | 20,823,260 |
| Operating Expenses | 16,460,300 | 1,647,873 | 2,150,232 | 20,258,405 | 1,649,627 | 5,102,384 | 23,212,311 | 43,470,716 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$25,751,437 | \$2,174,168 | \$2,442,006 | \$30,367,611 | \$2,320,067 | \$5,854,861 | \$33,926,365 | \$64,293,976 |
| General Fund | 25,447,607 | 1,947,996 | 2,442,006 | 29,837,609 | 2,093,895 | 5,854,861 | 33,396,363 | 63,233,972 |
| State/Other Special | 303,830 | 226,172 | 0 | 530,002 | 226,172 | 0 | 530,002 | 1,060,004 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$25,751,437 | \$2,174,168 | \$2,442,006 | \$30,367,611 | \$2,320,067 | \$5,854,861 | \$33,926,365 | \$64,293,976 |

Program Description

The Community Corrections Program includes adult probation and parole, male and female community corrections programs, boot camp training unit and a DUI treatment facility. The department contracts with non-profit corporations in Great Falls, Butte, Missoula, Billings, and Helena for pre-release services.

Program Highlights

| Department of Corrections Community Corrections Major Budget Highlights | |
|---|--|
| <ul style="list-style-type: none"> The legislature provided funding of \$1.4 million and 19.00 FTE for additional probation and parole officers The legislature added additional pre-release beds and provided funding of \$9.0 million The legislature provided the WATCH program and prerelease centers with increased pre diem of \$0.9 million | |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Community Corrections | | | | | | | |
|--|-----------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 25,447,607 | 98.8% | \$ 29,837,609 | 98.3% | \$ 33,396,363 | 98.4% |
| | 01100 General Fund | 25,447,607 | 98.8% | 29,837,609 | 98.3% | 33,396,363 | 98.4% |
| 02000 | Total State Special Funds | 303,830 | 1.2% | 530,002 | 1.7% | 530,002 | 1.6% |
| | 02261 P & P Supervisory Fee | 303,830 | 1.2% | 530,002 | 1.7% | 530,002 | 1.6% |
| Grand Total | | \$ 25,751,437 | 100.0% | \$ 30,367,611 | 100.0% | \$ 33,926,365 | 100.0% |

This program is funded primarily with general fund and has a minor amount of state special revenue funds. State special revenue funds are from supervision fees charged to each offender. Each supervised offender pays \$10 per month, which is used to fund probation and parole training and supplies.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 374,793 | | | | | 377,437 |
| Vacancy Savings | | | | | (386,629) | | | | | (386,751) |
| Inflation/Deflation | | | | | (45,993) | | | | | (44,599) |
| Fixed Costs | | | | | (1,020) | | | | | (1,020) |
| Total Statewide Present Law Adjustments | | | | | (\$58,849) | | | | | (\$54,933) |
| DP 1 - Additional Probation & Parole Staff | | | | | | | | | | |
| | 15.00 | 640,247 | 0 | 0 | 640,247 | 19.00 | 782,230 | 0 | 0 | 782,230 |
| DP 2 - Maintain Community Corrections Programs | | | | | | | | | | |
| | 0.00 | 1,335,622 | 0 | 0 | 1,335,622 | 0.00 | 1,335,622 | 0 | 0 | 1,335,622 |
| DP 5 - Community Corrections Overtime | | | | | | | | | | |
| | 0.00 | 30,976 | 0 | 0 | 30,976 | 0.00 | 30,976 | 0 | 0 | 30,976 |
| DP 13 - Supervision Fee Spending Authority | | | | | | | | | | |
| | 0.00 | 0 | 226,172 | 0 | 226,172 | 0.00 | 0 | 226,172 | 0 | 226,172 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 15.00 | \$2,006,845 | \$226,172 | \$0 | \$2,233,017 | 19.00 | \$2,148,828 | \$226,172 | \$0 | \$2,375,000 |
| Grand Total All Present Law Adjustments | | | | | \$2,174,168 | | | | | \$2,320,067 |

Descriptions of these present law adjustments are included in the subprogram sections that follow.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-----------------------|--------------------|---------------|-----------------|---------------------|-----------------------|--------------------|---------------|-----------------|---------------------|
| | -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 21 - Increase Amount Paid to Pre-release Centers | | | | | | | | | | |
| 02 | 0.00 | 241,031 | 0 | 0 | 241,031 | 0.00 | 482,062 | 0 | 0 | 482,062 |
| DP 311 - WATCH per-diem increase | | | | | | | | | | |
| 02 | 0.00 | 52,582 | 0 | 0 | 52,582 | 0.00 | 105,164 | 0 | 0 | 105,164 |
| DP 313 - Additional Beds Above the Executive Request | | | | | | | | | | |
| 02 | 0.00 | 1,856,619 | 0 | 0 | 1,856,619 | 0.00 | 4,515,158 | 0 | 0 | 4,515,158 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 02 | 0.00 | 291,774 | 0 | 0 | 291,774 | 0.00 | 752,477 | 0 | 0 | 752,477 |
| Total | 0.00 | \$2,442,006 | \$0 | \$0 | \$2,442,006* | 0.00 | \$5,854,861 | \$0 | \$0 | \$5,854,861* |

Descriptions of the above new proposals are included in the subprogram budget presentations.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The department shall report to the legislative finance committee, the law and justice interim committee, the governor, and the corrections advisory council by December 31, 2006, the results of any performance audit done on any prerelease center, regional prison, or private prison."

Sub-Program Details

COMMUNITY CORRECTION ADMIN 01

Community Corrections Administration includes supervisory staff.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 12.50 | 0.00 | 0.00 | 12.50 | 0.00 | 0.00 | 12.50 | 12.50 |
| Personal Services | 631,691 | (3,057) | 291,774 | 920,408 | (1,976) | 752,477 | 1,382,192 | 2,302,600 |
| Operating Expenses | 65,962 | (706) | 0 | 65,256 | (682) | 0 | 65,280 | 130,536 |
| Total Costs | \$697,653 | (\$3,763) | \$291,774 | \$985,664 | (\$2,658) | \$752,477 | \$1,447,472 | \$2,433,136 |
| General Fund | 697,653 | (3,763) | 291,774 | 985,664 | (2,658) | 752,477 | 1,447,472 | 2,433,136 |
| Total Funds | \$697,653 | (\$3,763) | \$291,774 | \$985,664 | (\$2,658) | \$752,477 | \$1,447,472 | \$2,433,136 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|-------------|------------------|
| FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | | Total Funds |
| | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | 23,135 | | | | | | 24,262 |
| Vacancy Savings | | | | (26,192) | | | | | | (26,238) |
| Inflation/Deflation | | | | (631) | | | | | | (607) |
| Fixed Costs | | | | (75) | | | | | | (75) |
| Total Statewide Present Law Adjustments | | | | (\$3,763) | | | | | | (\$2,658) |
| Grand Total All Present Law Adjustments | | | | (\$3,763) | | | | | | (\$2,658) |

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|---------------|-----------------|-------------------|-------------|------------------|---------------|-----------------|--------------------|
| Sub Program | Fiscal 2006 | | | | Fiscal 2007 | | | | | Total Funds |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 291,774 | 0 | 0 | 291,774 | 0.00 | 752,477 | 0 | 0 | 752,477 |
| Total | 0.00 | \$291,774 | \$0 | \$0 | \$291,774* | 0.00 | \$752,477 | \$0 | \$0 | \$752,477 * |

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Sub-Program Details

TREASURE STATE CORRECTIONAL TRAINING 02

The Treasure State Correctional Training Center (TSCTC) is referred to as the adult boot camp. This operation is located on the grounds of the Montana State Prison in Deer Lodge. The facility has a rated capacity of 60 beds. It is expected to average about 56 adult male inmates during the 2007 biennium. The boot camp program is a voluntary program whereby the graduates may receive a reduction in their original sentence.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 26.50 | 0.00 | 0.00 | 26.50 | 0.00 | 0.00 | 26.50 | 26.50 |
| Personal Services | 1,130,214 | 14,338 | 0 | 1,144,552 | 12,313 | 0 | 1,142,527 | 2,287,079 |
| Operating Expenses | 352,625 | (1,412) | 0 | 351,213 | (1,241) | 0 | 351,384 | 702,597 |
| Total Costs | \$1,482,839 | \$12,926 | \$0 | \$1,495,765 | \$11,072 | \$0 | \$1,493,911 | \$2,989,676 |
| General Fund | 1,482,839 | 12,926 | 0 | 1,495,765 | 11,072 | 0 | 1,493,911 | 2,989,676 |
| Total Funds | \$1,482,839 | \$12,926 | \$0 | \$1,495,765 | \$11,072 | \$0 | \$1,493,911 | \$2,989,676 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|-----------------|-----------------|-------------------|-----------------------|--------------|-----------------|-----------------|-------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 29,762 | | | | | 27,652 |
| Vacancy Savings | | | | (46,400) | | | | | (46,315) |
| Inflation/Deflation | | | | (1,342) | | | | | (1,171) |
| Fixed Costs | | | | (70) | | | | | (70) |
| Total Statewide Present Law Adjustments | | | | (\$18,050) | | | | | (\$19,904) |
| DP 5 - Community Corrections Overtime | 0.00 | 30,976 | 0 | 0 | 30,976 | 0.00 | 30,976 | 0 | 0 |
| Total Other Present Law Adjustments | 0.00 | \$30,976 | \$0 | \$0 | \$30,976 | 0.00 | \$30,976 | \$0 | \$30,976 |
| Grand Total All Present Law Adjustments | | | | \$12,926 | | | | | \$11,072 |

DP 5 - Community Corrections Overtime - The legislature approved funding for overtime of \$30,976 in FY 2006 and FY 2007. Overtime is a zero-base budget item.

Sub-Program Details

PRE-RELEASE 03

The department currently contracts with private non-profit prerelease centers located in Butte, Billings, Great Falls, Missoula, and Helena. Prerelease centers provide supervised education, treatment, and work opportunities for offenders. Offenders are required to reside in these centers during their placements. Prerelease operations and their contract capacities are as follows:

- Traditional prerelease beds for adult males in contract facilities: 489
- Traditional prerelease beds for adult women in contract facilities: 110
- Transitional living slots for men and women (inmates do not stay in a contract facility): 65
- Boot camp aftercare beds in Great Falls: 30
- Connections Corrections Program in Butte for chemical dependency inmates: 40

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| Operating Expenses | 10,570,252 | 1,335,622 | 2,097,650 | 14,003,524 | 1,335,622 | 4,997,220 | 16,903,094 | 30,906,618 |
| Total Costs | \$10,570,252 | \$1,335,622 | \$2,097,650 | \$14,003,524 | \$1,335,622 | \$4,997,220 | \$16,903,094 | \$30,906,618 |
| General Fund | 10,570,252 | 1,335,622 | 2,097,650 | 14,003,524 | 1,335,622 | 4,997,220 | 16,903,094 | 30,906,618 |
| Total Funds | \$10,570,252 | \$1,335,622 | \$2,097,650 | \$14,003,524 | \$1,335,622 | \$4,997,220 | \$16,903,094 | \$30,906,618 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 2 - Maintain Community Corrections Programs | 0.00 | 1,335,622 | 0 | 0 | 1,335,622 | 0.00 | 1,335,622 | 0 | 0 | 1,335,622 |
| Total Other Present Law Adjustments | 0.00 | \$1,335,622 | \$0 | \$0 | \$1,335,622 | 0.00 | \$1,335,622 | \$0 | \$0 | \$1,335,622 |
| Grand Total All Present Law Adjustments | | | | | \$1,335,622 | | | | | \$1,335,622 |

DP 2 - Maintain Community Corrections Programs - The legislature approved general fund of \$1,335,662 in FY 2006 and FY 2007 for community corrections to fund new beds in both new and existing facilities. The beds are to cover the projected increase in the adult offender population.

New Proposals

| New Proposals | | | | | | | | | | | |
|--|-------------|-----------------------|------------------|--------------------|---------------------|-----------------------|--------------------|------------------|--------------------|--------------------|----------------------|
| Sub Program | FTE | -----Fiscal 2006----- | | | | -----Fiscal 2007----- | | | | Federal Special | Total Funds |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | | |
| DP 21 - Increase Amount Paid to Pre-release Centers | | | | | | | | | | | |
| 03 | 0.00 | 241,031 | 0 | 0 | 241,031 | 0.00 | 482,062 | 0 | 0 | 0 | 482,062 |
| DP 313 - Additional Beds Above the Executive Request | | | | | | | | | | | |
| 03 | 0.00 | 1,856,619 | 0 | 0 | 1,856,619 | 0.00 | 4,515,158 | 0 | 0 | 0 | 4,515,158 |
| Total | 0.00 | \$2,097,650 | \$0 | \$0 | \$2,097,650* | 0.00 | \$4,997,220 | \$0 | \$0 | \$0 | \$4,997,220 * |

DP 21 - Increase Amount Paid to Pre-release Centers - The legislature approved an increase in the annual amount paid to pre-release centers. This is a general fund increase of \$241,031 in FY 2006 and \$482,062 in FY 2007.

DP 313 - Additional Beds Above the Executive Request - The legislature approved general fund of \$1,856,619 in FY 2006 and \$4,515,158 FY 2007 for additional contract beds for pre-release centers over and above the executive budget request.

Sub-Program Details

PROBATION AND PAROLE 04

Probation and Parole supervises nearly 7,000 inmates. The department expects this area to manage between 7,300 and 7,600 offenders during the 2007 biennium

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 166.00 | 15.00 | 0.00 | 181.00 | 19.00 | 0.00 | 185.00 | 185.00 |
| Personal Services | 7,529,232 | 515,014 | 0 | 8,044,246 | 660,103 | 0 | 8,189,335 | 16,233,581 |
| Operating Expenses | 2,298,713 | 314,371 | 0 | 2,613,084 | 315,930 | 0 | 2,614,643 | 5,227,727 |
| Total Costs | \$9,827,945 | \$829,385 | \$0 | \$10,657,330 | \$976,033 | \$0 | \$10,803,978 | \$21,461,308 |
| General Fund | 9,524,115 | 603,213 | 0 | 10,127,328 | 749,861 | 0 | 10,273,976 | 20,401,304 |
| State/Other Special | 303,830 | 226,172 | 0 | 530,002 | 226,172 | 0 | 530,002 | 1,060,004 |
| Total Funds | \$9,827,945 | \$829,385 | \$0 | \$10,657,330 | \$976,033 | \$0 | \$10,803,978 | \$21,461,308 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------------|-------------|--------------|---------------|-----------------|-------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 321,896 | | | | | 325,523 |
| Vacancy Savings | | | | (314,037) | | | | | (314,198) |
| Inflation/Deflation | | | | (44,018) | | | | | (42,819) |
| Fixed Costs | | | | (875) | | | | | (875) |
| Total Statewide Present Law Adjustments | | | | (\$37,034) | | | | | (\$32,369) |
| DP 1 - Additional Probation & Parole Staff | | | | | | | | | |
| 15.00 | 640,247 | 0 | 0 | 640,247 | 19.00 | 782,230 | 0 | 0 | 782,230 |
| DP 13 - Supervision Fee Spending Authority | | | | | | | | | |
| 0.00 | 0 | 226,172 | 0 | 226,172 | 0.00 | 0 | 226,172 | 0 | 226,172 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 15.00 | \$640,247 | \$226,172 | \$0 | \$866,419 | 19.00 | \$782,230 | \$226,172 | \$0 | \$1,008,402 |
| Grand Total All Present Law Adjustments | | | | \$829,385 | | | | | \$976,033 |

DP 1 - Additional Probation & Parole Staff - The legislature approved general fund of \$640,247 in FY 2006 and \$782,230 in FY 2007 to provide for an increase in FTE in adult probation and parole to handle increases in caseload. Caseload is expected to increase from an estimated 7,000 offenders in FY 2005 to between 7,300 and 7,600 offenders in the 2007 biennium. The executive requests 15.0 FTE in FY 2006 and 19.0 FTE in FY 2007. These FTE would be in the following positions: 14.00 FTE as adult probation and parole officers or intensive supervision officers; 1.50 FTE as Institutional probation and parole officers (housed at the Montana State Prison); and 3.50 FTE as administrative staff to support the probation and parole officers.

DP 13 - Supervision Fee Spending Authority - The legislature approved state special revenue of \$226,172 in FY 2006 and FY 2007. This approval increases expenditure authority in the probation and parole supervision fee from \$303,828 to \$530,000. The number of offenders is expected to increase in the probation and parole programs. Therefore, there would be an increase in the collection of the fee. The additional amount will be used for increases in safety and training of probation and parole staff. This approval also includes \$30,000 of spending authority for the Interstate Compact Unit. Montana's Interstate Compact Unit has statutory authority to collect fees from offenders wishing to transfer to other states. The majority of the fees collected would go towards the \$18,000 annual national interstate fee. The remainder of the fees collected would be utilized for interstate staff training and equipment.

Sub-Program Details

DUI UNIT 05

The DUI Unit is also referred to as the Warm Springs Addictions Treatment and Change Program (WATCH) Program. The Department of Corrections is under contract with Community, Counseling, and Correctional Services, Inc. to treat DUI offenders sentenced to the WATCH Program. Intensive residential alcohol treatment is provided for offenders convicted of a fourth or subsequent driving under the influence offense. The facility has 140 beds for adult men and women offenders.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| Operating Expenses | 3,172,748 | (2) | \$2,582 | 3,225,328 | (2) | 105,164 | 3,277,910 | 6,503,238 |
| Total Costs | \$3,172,748 | (\$2) | \$52,582 | \$3,225,328 | (\$2) | \$105,164 | \$3,277,910 | \$6,503,238 |
| General Fund | 3,172,748 | (2) | \$2,582 | 3,225,328 | (2) | 105,164 | 3,277,910 | 6,503,238 |
| Total Funds | \$3,172,748 | (\$2) | \$52,582 | \$3,225,328 | (\$2) | \$105,164 | \$3,277,910 | \$6,503,238 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|-----------------|------------------|--------------------|----------------|-------------|-----------------|------------------|--------------------|----------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Inflation/Deflation | | | | | (2) | | | | | (2) |
| Total Statewide Present Law Adjustments | | | | | (\$2) | | | | | (\$2) |
| Grand Total All Present Law Adjustments | | | | | (\$2) | | | | | (\$2) |

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|-----------------|------------------|--------------------|------------------|-------------|------------------|------------------|--------------------|--------------------|
| Sub Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 311 - WATCH per-diem increase 05 | 0.00 | \$2,582 | 0 | 0 | \$2,582 | 0.00 | \$105,164 | 0 | 0 | \$105,164 |
| Total | 0.00 | \$52,582 | \$0 | \$0 | \$52,582* | 0.00 | \$105,164 | \$0 | \$0 | \$105,164 * |

DP 311 - WATCH per-diem increase - The legislature approved an increase in the annual amount paid to the WATCH program. This is a general fund increase of \$52,582 in FY 2006 and \$105,164 in FY 2007.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 578.45 | (4.30) | 56.64 | 630.79 | (4.30) | 56.64 | 630.79 | 630.79 |
| Personal Services | 24,796,692 | 478,782 | 3,074,543 | 28,350,017 | 480,481 | 4,313,472 | 29,590,645 | 57,940,662 |
| Operating Expenses | 28,157,335 | 1,594,065 | (563,442) | 29,187,958 | 4,553,975 | (725,133) | 31,986,177 | 61,174,135 |
| Equipment | 181,377 | 0 | 0 | 181,377 | 0 | 0 | 181,377 | 362,754 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 75,337 | 0 | 0 | 75,337 | 0 | 0 | 75,337 | 150,674 |
| Total Costs | \$53,210,741 | \$2,072,847 | \$2,511,101 | \$57,794,689 | \$5,034,456 | \$3,588,339 | \$61,833,536 | \$119,628,225 |
| General Fund | 51,971,390 | 1,979,263 | 2,511,101 | 56,461,754 | 4,940,872 | 3,588,339 | 60,500,601 | 116,962,355 |
| State/Other Special | 1,239,351 | 0 | 0 | 1,239,351 | 0 | 0 | 1,239,351 | 2,478,702 |
| Federal Special | 0 | 93,584 | 0 | 93,584 | 93,584 | 0 | 93,584 | 187,168 |
| Total Funds | \$53,210,741 | \$2,072,847 | \$2,511,101 | \$57,794,689 | \$5,034,456 | \$3,588,339 | \$61,833,536 | \$119,628,225 |

Program Description

The Secure Facilities Program includes the Montana State Prison for adult men, Montana Women's Prison, and contract bed facilities for adult offenders which include: Glendive Regional Prison, Cascade Regional Prison, Missoula Assessment and Sanction Center, and the Crossroads Regional Prison in Shelby.

Program Highlights

| Department of Corrections Secure Facilities Program Major Budget Highlights | |
|---|--|
| ♦ | <p>The legislature budget increases general fund by \$13.0 million over the doubled base budget, including \$11.5 million to address projected increases in secure custody population as follows:</p> <ul style="list-style-type: none"> An appropriation of \$6.0 million was provided for contract beds in existing facilities, but the state did not authorize expansion for any of the facilities or any new facilities for state use An appropriation of \$5.5 million and 56.64 FTE was provided for a new revocation center at the Montana State Prison, which was in line with the legislature's goal to provide funding for state owed facilities |
| ♦ | <p>The legislature also took the following action:</p> <ul style="list-style-type: none"> The legislature approved a transfer of \$3.0 million from the Secure Custody Facilities program to the Juvenile Delinquency Placement program to fund out-placements An appropriation of \$0.6 million was provided to fund increases in per diem for county-managed regional prisons and to the operator of the private prison in Shelby Overtime and holiday payout of \$1.6 million was funded for secure care employees and payroll of \$0.4 million was funded for inmate labor |

- Funding of \$2.0 million was provided for HB 447 pay plan increases

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Secure Custody Facilities | | | | | | | |
|--|----------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 51,971,390 | 97.7% | \$ 56,461,754 | 97.7% | \$ 60,500,601 | 97.8% |
| | 01100 General Fund | 51,971,390 | 97.7% | 56,461,754 | 97.7% | 60,500,601 | 97.8% |
| 02000 | Total State Special Funds | 1,239,351 | 2.3% | 1,239,351 | 2.1% | 1,239,351 | 2.0% |
| | 02339 Inmate Welfare/Inmate Pay | 100,000 | 0.2% | 100,000 | 0.2% | 100,000 | 0.2% |
| | 02917 Msp Canteen Revolving Acct | 1,139,351 | 2.1% | 1,139,351 | 2.0% | 1,139,351 | 1.8% |
| 03000 | Total Federal Special Funds | - | - | 93,584 | 0.2% | 93,584 | 0.2% |
| | 03315 Misc Federal Grants | - | - | 93,584 | 0.2% | 93,584 | 0.2% |
| Grand Total | | \$ 53,210,741 | 100.0% | \$ 57,794,689 | 100.0% | \$ 61,833,536 | 100.0% |

This program is funded primarily with general fund and has a minor amount of state special and federal special revenue. State special revenue funds are for inmate pay and the Montana State Prison canteen operations. Federal funds are education funds received via a pass through grant from the Office of Public Instruction.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|--------------------|-------------|--------------|---------------|-----------------|--------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 607,071 | | | | | 608,869 |
| Vacancy Savings | | | | (1,016,140) | | | | | (1,016,239) |
| Inflation/Deflation | | | | 59,511 | | | | | 45,689 |
| Fixed Costs | | | | (248) | | | | | (248) |
| Total Statewide Present Law Adjustments | | | | (\$349,806) | | | | | (\$361,929) |
| DP 6 - Secure Custody Overtime | 0.00 | 824,255 | 0 | 824,255 | 0.00 | 824,255 | 0 | 0 | 824,255 |
| DP 7 - MSP Inmate Pay | | | | | | | | | |
| | 0.00 | 182,938 | 100,000 | 282,938 | 0.00 | 182,938 | 100,000 | 0 | 282,938 |
| DP 11 - MSP - Federal Authority | 0.00 | 0 | 0 | 93,584 | 0.00 | 0 | 0 | 93,584 | 93,584 |
| DP 16 - Contract Bed Per Diem Rate Increase | 0.00 | 1,441,218 | 0 | 1,441,218 | 0.00 | 4,414,950 | 0 | 0 | 4,414,950 |
| DP 17 - Statewide FTE Reduction | (4.30) | (219,342) | 0 | (219,342) | (4.30) | (219,342) | 0 | 0 | (219,342) |
| Total Other Present Law Adjustments | | | | \$2,422,653 | | | | | \$5,396,385 |
| | (4.30) | \$2,229,069 | \$100,000 | | (4.30) | \$5,202,801 | \$100,000 | \$93,584 | |
| Grand Total All Present Law Adjustments | | | | \$2,072,847 | | | | | \$5,034,456 |

Descriptions of these present law adjustments are included in the subprogram sections that follow.

New Proposals

| New Proposals | | | | | | | | | | |
|--|--------------|--------------------|---------------|-----------------|---------------------|--------------|--------------------|---------------|-----------------|---------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 22 - Increase Amount Paid to Regional Prisons | | | | | | | | | | |
| 03 | 0.00 | 147,859 | 0 | 0 | 147,859 | 0.00 | 295,718 | 0 | 0 | 295,718 |
| DP 312 - CCA Per Diem Increase | | | | | | | | | | |
| 03 | 0.00 | 178,441 | 0 | 0 | 178,441 | 0.00 | 3,569 | 0 | 0 | 3,569 |
| DP 314 - Transfer Funding to JDIP | | | | | | | | | | |
| 03 | 0.00 | (1,500,000) | 0 | 0 | (1,500,000) | 0.00 | (1,500,000) | 0 | 0 | (1,500,000) |
| DP 315 - Expansion at Montana State Prison | | | | | | | | | | |
| 03 | 56.64 | 2,827,770 | 0 | 0 | 2,827,770 | 56.64 | 2,694,350 | 0 | 0 | 2,694,350 |
| DP 320 - Additional Funding for Secure Beds | | | | | | | | | | |
| 03 | 0.00 | 73,181 | 0 | 0 | 73,181 | 0.00 | 67,229 | 0 | 0 | 67,229 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 03 | 0.00 | 783,850 | 0 | 0 | 783,850 | 0.00 | 2,027,473 | 0 | 0 | 2,027,473 |
| Total | 56.64 | \$2,511,101 | \$0 | \$0 | \$2,511,101* | 56.64 | \$3,588,339 | \$0 | \$0 | \$3,588,339* |

Descriptions of the above new proposals are included in the subprogram budget presentations.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*; however, his authority to do so is questioned and may be challenged through legal action.

"The department shall report to the legislative finance committee, the law and justice interim committee, the governor, and the corrections advisory council by December 31, 2006, the results of any performance audit done on any prerelease center, regional prison, or private prison."

"If the department determines through forecasts that it will experience a shortfall in the general fund appropriation in either fiscal year of the 2007 biennium for secure facilities, the department may transfer up to \$1,500,000 in general fund money that is available and unencumbered in that fiscal year from Juvenile Placement Funds (Restricted) to Secure Facilities (03)."

Sub-Program Details

MONTANA STATE PRISON 01

The Montana State Prison, located in Deer Lodge, is a secure custody facility for adult males. This facility had an average daily population of 1,325 in fiscal 2004. The facility has an operational capacity of 1,407 beds.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 503.18 | (4.30) | 56.64 | 555.52 | (4.30) | 56.64 | 555.52 | 555.52 |
| Personal Services | 21,718,952 | 405,925 | 3,074,543 | 25,199,420 | 408,862 | 4,313,472 | 26,441,286 | 51,640,706 |
| Operating Expenses | 9,018,406 | 142,080 | 537,077 | 9,697,563 | 130,712 | 408,351 | 9,557,469 | 19,255,032 |
| Equipment | 181,377 | 0 | 0 | 181,377 | 0 | 0 | 181,377 | 362,754 |
| Debt Service | 75,337 | 0 | 0 | 75,337 | 0 | 0 | 75,337 | 150,674 |
| Total Costs | \$30,994,072 | \$548,005 | \$3,611,620 | \$35,153,697 | \$539,574 | \$4,721,823 | \$36,255,469 | \$71,409,166 |
| General Fund | 29,754,721 | 454,421 | 3,611,620 | 33,820,762 | 445,990 | 4,721,823 | 34,922,534 | 68,743,296 |
| State/Other Special | 1,239,351 | 0 | 0 | 1,239,351 | 0 | 0 | 1,239,351 | 2,478,702 |
| Federal Special | 0 | 93,584 | 0 | 93,584 | 93,584 | 0 | 93,584 | 187,168 |
| Total Funds | \$30,994,072 | \$548,005 | \$3,611,620 | \$35,153,697 | \$539,574 | \$4,721,823 | \$36,255,469 | \$71,409,166 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|---------------|------------------|------------------|--------------------|---------------|------------------|------------------|-----------------|--------------------|
| FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 536,658 | | | | | 539,733 |
| Vacancy Savings | | | | (890,219) | | | | | (890,357) |
| Inflation/Deflation | | | | 48,744 | | | | | 37,376 |
| Fixed Costs | | | | (248) | | | | | (248) |
| Total Statewide Present Law Adjustments | | | | (\$305,065) | | | | | (\$313,496) |
| DP 6 - Secure Custody Overtime | 0.00 | 695,890 | 0 | 695,890 | 0.00 | 695,890 | 0 | 0 | 695,890 |
| DP 7 - MSP Inmate Pay | 0.00 | 182,938 | 100,000 | 282,938 | 0.00 | 182,938 | 100,000 | 0 | 282,938 |
| DP 11 - MSP - Federal Authority | 0.00 | 0 | 0 | 93,584 | 0.00 | 0 | 0 | 93,584 | 93,584 |
| DP 17 - Statewide FTE Reduction | (4.30) | (219,342) | 0 | (219,342) | (4.30) | (219,342) | 0 | 0 | (219,342) |
| Total Other Present Law Adjustments | (4.30) | \$659,486 | \$100,000 | \$853,070 | (4.30) | \$659,486 | \$100,000 | \$93,584 | \$853,070 |
| Grand Total All Present Law Adjustments | | | | \$548,005 | | | | | \$539,574 |

DP 6 - Secure Custody Overtime - The legislature approved general fund for overtime for the Montana State Prison and Women's Prison in the amount of \$824,255 for each fiscal year of the 2007 biennium. These funds were added to cover the 24-hour by 7 day per week by 365 days per year positions at these facilities. Overtime is zero based and removed the agency's base budget.

DP 7 – Montana State Prison Inmate Pay - The legislature approved state special revenue and general fund authority for inmate wages. Funds for inmate wages are a zero-based request. Education, vocational training, and inmate jobs are used for meaningful time occupation, increased self-esteem, and purchasing power for essentials and restitution for the inmates. Currently there are 802 inmates earning between \$1.25 and \$6.30 per day. The amounts approved by the legislature were \$182,938 in general fund and \$100,000 in federal funds for each year of the 2007 biennium.

DP 11 – Montana State Prison - Federal Authority - The legislature approved authority for federal funding of \$93,584 in each fiscal year of the 2007 biennium for funding that is anticipated to be received from the Office of Public Instruction for the Montana State Prison Adult Basic Literacy Education grant and Title I.

DP 17 - Statewide FTE Reduction - The legislature approved an FTE reduction equivalent to the reductions taken in the 2003 legislative session. This 4.30 FTE and the \$219,342 general fund per fiscal year are removed from the budget permanently.

New Proposals

| New Proposals | | | | | | | | | | |
|--|--------------|--------------------|------------------|--------------------|---------------------|--------------|--------------------|------------------|--------------------|----------------------|
| Sub Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 315 - Expansion at Montana State Prison | | | | | | | | | | |
| 01 | 56.64 | 2,827,770 | 0 | 0 | 2,827,770 | 56.64 | 2,694,350 | 0 | 0 | 2,694,350 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 783,850 | 0 | 0 | 783,850 | 0.00 | 2,027,473 | 0 | 0 | 2,027,473 |
| Total | 56.64 | \$3,611,620 | \$0 | \$0 | \$3,611,620* | 56.64 | \$4,721,823 | \$0 | \$0 | \$4,721,823 * |

DP 315 - Expansion at Montana State Prison - The legislature approved general fund for 56.64 FTE and \$2,827,770 in FY 2006 and 56.64 FTE and \$2,694,350 in FY 2007 to staff and operate a revocation center at the Montana State Prison.

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Sub-Program Details

MONTANA WOMENS PRISON 02

The Montana Women's Prison, located in Billings, is an adult female secure facility. This facility had an average daily population of 177 in FY 2004. The facility has an operational capacity of 209 beds.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 66.27 | 0.00 | 0.00 | 66.27 | 0.00 | 0.00 | 66.27 | 66.27 |
| Personal Services | 2,628,625 | 76,409 | 0 | 2,705,034 | 75,462 | 0 | 2,704,087 | 5,409,121 |
| Operating Expenses | 1,683,364 | 11,259 | 0 | 1,694,623 | 8,786 | 0 | 1,692,150 | 3,386,773 |
| Total Costs | \$4,311,989 | \$87,668 | \$0 | \$4,399,657 | \$84,248 | \$0 | \$4,396,237 | \$8,795,894 |
| General Fund | 4,311,989 | 87,668 | 0 | 4,399,657 | 84,248 | 0 | 4,396,237 | 8,795,894 |
| Total Funds | \$4,311,989 | \$87,668 | \$0 | \$4,399,657 | \$84,248 | \$0 | \$4,396,237 | \$8,795,894 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|------------------|------------------|--------------------|-------------------|-------------|------------------|------------------|--------------------|-------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 55,399 | | | | | 54,427 |
| Vacancy Savings | | | | (107,355) | | | | | (107,330) |
| Inflation/Deflation | | | | 11,259 | | | | | 8,786 |
| Total Statewide Present Law Adjustments | | | | (\$40,697) | | | | | (\$44,117) |
| DP 6 - Secure Custody Overtime | | | | | | | | | |
| 0.00 | 128,365 | 0 | 0 | 128,365 | 0.00 | 128,365 | 0 | 0 | 128,365 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$128,365 | \$0 | \$0 | \$128,365 | 0.00 | \$128,365 | \$0 | \$0 | \$128,365 |
| Grand Total All Present Law Adjustments | | | | \$87,668 | | | | | \$84,248 |

DP 6 - Secure Custody Overtime - The legislature approved general fund for overtime for the Montana State Prison and Women's Prison in the amount of \$824,255 for each fiscal year of the 2007 biennium. These funds were added to cover the 24-hour by 7 day per week by 365 days per year positions at these facilities. Overtime is zero based and removed the agency's base budget.

Sub-Program Details

CONTRACTED BEDS 04

The contract beds budget represents those expenditures directly related to housing Montana inmates outside of the state-operated correctional institutions.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 9.00 | 0.00 | 0.00 | 9.00 | 0.00 | 0.00 | 9.00 | 9.00 |
| Personal Services | 449,115 | (3,552) | 0 | 445,563 | (3,843) | 0 | 445,272 | 890,835 |
| Operating Expenses | 17,455,565 | 1,440,726 | (1,100,519) | 17,795,772 | 4,414,477 | (1,133,484) | 20,736,558 | 38,532,330 |
| Total Costs | \$17,904,680 | \$1,437,174 | (\$1,100,519) | \$18,241,335 | \$4,410,634 | (\$1,133,484) | \$21,181,830 | \$39,423,165 |
| General Fund | 17,904,680 | 1,437,174 | (1,100,519) | 18,241,335 | 4,410,634 | (1,133,484) | 21,181,830 | 39,423,165 |
| Total Funds | \$17,904,680 | \$1,437,174 | (\$1,100,519) | \$18,241,335 | \$4,410,634 | (\$1,133,484) | \$21,181,830 | \$39,423,165 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|--------------------|-----------------------|-----------------|------------------|--------------------|--------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 15,014 | | | | | 14,709 |
| Vacancy Savings | | | | (18,566) | | | | | (18,552) |
| Inflation/Deflation | | | | (492) | | | | | (473) |
| Total Statewide Present Law Adjustments | | | | (\$4,044) | | | | | (\$4,316) |
| DP 16 - Contract Bed Per Diem Rate Increase | | | | | | | | | |
| 0.00 | 1,441,218 | 0 | 0 | 1,441,218 | 0.00 | 4,414,950 | 0 | 0 | 4,414,950 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$1,441,218 | \$0 | \$0 | \$1,441,218 | 0.00 | \$4,414,950 | \$0 | \$0 | \$4,414,950 |
| Grand Total All Present Law Adjustments | | | | \$1,437,174 | | | | | \$4,410,634 |

DP 16 - Contract Bed Per Diem Rate Increase - The legislature approved a general fund increase of \$1,441,218 in FY 2006 and \$4,414,950 in FY 2007 for per diem for contract beds. The department plans to fully use all available beds currently allowed by contract at both the privately owned prison in Shelby and all county-managed regional prisons. The department may also seek contract beds for special needs offenders that include the elderly, offenders with special medical or mental health needs, and sex offenders.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|----------------------|---------------|-----------------|-----------------------|-------------|----------------------|---------------|-----------------|-----------------------|
| Sub Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 22 - Increase Amount Paid to Regional Prisons | | | | | | | | | | |
| 04 | 0.00 | 147,859 | 0 | 0 | 147,859 | 0.00 | 295,718 | 0 | 0 | 295,718 |
| DP 312 - CCA Per Diem Increase | | | | | | | | | | |
| 04 | 0.00 | 178,441 | 0 | 0 | 178,441 | 0.00 | 3,569 | 0 | 0 | 3,569 |
| DP 314 - Transfer Funding to JDIP | | | | | | | | | | |
| 04 | 0.00 | (1,500,000) | 0 | 0 | (1,500,000) | 0.00 | (1,500,000) | 0 | 0 | (1,500,000) |
| DP 320 - Additional Funding for Secure Beds | | | | | | | | | | |
| 04 | 0.00 | 73,181 | 0 | 0 | 73,181 | 0.00 | 67,229 | 0 | 0 | 67,229 |
| Total | 0.00 | (\$1,100,519) | \$0 | \$0 | (\$1,100,519)* | 0.00 | (\$1,133,484) | \$0 | \$0 | (\$1,133,484)* |

DP 22 - Increase Amount Paid to Regional Prisons - The legislature approved general fund of \$147,859 in FY 2006 and \$295,718 in FY 2007 to support an increase in the per diem amounts paid to the regional prisons operated by the counties. These prisons include those located in Cascade, Dawson, and Missoula counties.

DP 312 - Corrections Corporation of America Per Diem Increase - The legislature approved general fund of \$178,441 in FY 2006 and \$3,569 in FY 2007 a for per diem increase to Corrections Corporation of America (CCA).

DP 314 - Transfer Funding to Juvenile Delinquency Intervention Program - The legislature transferred general fund of \$1,500,000 in each fiscal year of the 2007 biennium from secure beds to Juvenile Placement. This action was to restore the juvenile placement funds back to historical levels. The department noted that these funds were removed from the juvenile placement program by the department over time and used to pay for shortfalls in funding in secure facilities.

DP 320 - Additional Funding for Secure Beds - The legislature approved additional general fund for secure beds of \$73,181 in FY 2006 and \$67,229 in FY 2007.

Proprietary Rates

Proprietary Program Description

The food factory program was established to provide cost effective nutritional meals to the Montana State Prison and other state and county agencies, using a cook-chill method of food preparation. The cook-chill method allows food to be prepared a week in advance and packaged in bulk or individual trays.

Proprietary Revenues and Expenses

The food factory derives its revenues from the sale of bulk food and tray based meals to customers. Currently the customers who are serviced by the food factory include: Montana State Prison, Montana State Hospital, Treasure State Correctional Training Center, Riverside Youth Correctional Facility, WATCH DUI unit, and the Helena Pre-release Center. Overall revenue levels are dependant on the average daily populations of customer facilities, which directly influence food requirements. Expenditures are based on operational need, cash flow, customer orders, product inventory levels, and product pricing.

Food Factory Rates

The food factory currently has two rate structures, one for customers that purchase only bulk food products and another for customers that purchase a complete tray based meal. Bulk food customers are charged the actual cost of food with a 3 percent increase for spoilage. In addition, they are charged a monthly overhead, which is a flat fee established using historical costs. The per meal tray based customer rates include the cost of delivery.

The rates for the 2007 biennium are as follows:

| | |
|---------------------------------------|--------|
| Montana State Prison | \$1.37 |
| Riverside Youth Correctional Facility | \$2.01 |
| WATCH DUI Unit | \$1.59 |
| Helena Prerelease | \$2.01 |

Proprietary Rate Explanation

The Montana State Prison Food Factory currently has two rate structures. One rate structure is used for customers that purchase only bulk food products and another for customers that purchase a complete trayed meal. Bulk food customers are charged the actual cost of food with a 3% increase for spoilage. In addition, they are charged a monthly overhead charged, which is a flat fee established using historical costs. The per meal trayed customer rates include the cost of delivery.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 14.25 | 0.00 | 0.00 | 14.25 | 0.00 | 0.00 | 14.25 | 14.25 |
| Personal Services | 703,440 | 65,129 | 18,969 | 787,538 | 64,598 | 48,918 | 816,956 | 1,604,494 |
| Operating Expenses | 1,020,217 | 3,876,362 | 0 | 4,896,579 | 627,200 | 0 | 1,647,417 | 6,543,996 |
| Debt Service | 216,708 | 0 | 0 | 216,708 | (108,354) | 0 | 108,354 | 325,062 |
| Total Costs | \$1,940,365 | \$3,941,491 | \$18,969 | \$5,900,825 | \$583,444 | \$48,918 | \$2,572,727 | \$8,473,552 |
| General Fund | 1,572,197 | 3,878,141 | 14,149 | 5,464,487 | 520,078 | 36,329 | 2,128,604 | 7,593,091 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 368,168 | 63,350 | 4,820 | 436,338 | 63,366 | 12,589 | 444,123 | 880,461 |
| Total Funds | \$1,940,365 | \$3,941,491 | \$18,969 | \$5,900,825 | \$583,444 | \$48,918 | \$2,572,727 | \$8,473,552 |

Program Description

The Montana Correctional Enterprises (MCE) Division includes the ranch, industries, dairy, license plate, and vocational education programs at the Montana State Prison facility. MCE does not currently have active programs at the Montana Women's Prison or regional and private facilities, although staff are continually researching ideas for programs in these areas. MCE programs provide work and vocational education training opportunities to approximately three hundred inmates. In addition MCE administration oversees accounting and budgeting for the Montana State Prison Food Factory and Montana Women's Prison Dog Training programs.

Program Highlights

| Department of Corrections Montana Correctional Enterprises Major Budget Highlights | |
|--|--|
| <ul style="list-style-type: none"> Total funding increases by \$4.4 million over the base budget mostly for the production of new license plates to support the January 1, 2006 reissue program | |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|------------------------------------|--------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Mont Correctional Enterp | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,572,197 | 81.0% | \$ 5,464,487 | 92.6% | \$ 2,128,604 | 82.7% |
| | 01100 General Fund | 1,572,197 | 81.0% | 5,464,487 | 92.6% | 2,128,604 | 82.7% |
| 06000 | Total Proprietary Funds | 368,168 | 19.0% | 436,338 | 7.4% | 444,123 | 17.3% |
| | 06545 Prison Indust. Training Prog | 368,168 | 19.0% | 436,338 | 7.4% | 444,123 | 17.3% |
| Grand Total | | \$ 1,940,365 | 100.0% | \$ 5,900,825 | 100.0% | \$ 2,572,727 | 100.0% |

This program is funded with general fund and proprietary funds. General fund supports license plate production and vocational education activities. Proprietary funds support certain vocational activities. There are also non-budgeted proprietary funds that are generated from the sale of cattle, dairy products, refined lumber, and furniture.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|--------------------|---------------|-----------------|---------------------|-----------------------|------------------|---------------|-----------------|-------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | (13,222) | | | | | (13,776) |
| Vacancy Savings | | | | | (27,608) | | | | | (27,585) |
| Inflation/Deflation | | | | | 2,170 | | | | | 1,568 |
| Total Statewide Present Law Adjustments | | | | | (\$38,660) | | | | | (\$39,793) |
| DP 3 - License Plate Re-Issue | 0.00 | 3,853,751 | 0 | 0 | 3,853,751 | 0.00 | 496,837 | 0 | 0 | 496,837 |
| DP 8 - Vocational Education Inmate Payroll | 0.00 | 40,000 | 0 | 0 | 76,400* | 0.00 | 40,000 | 0 | 0 | 76,400* |
| DP 9 - Vocational Education Additional Authority for ISF | 0.00 | 0 | 0 | 0 | 50,000* | 0.00 | 0 | 0 | 0 | 50,000* |
| Total Other Present Law Adjustments | 0.00 | \$3,893,751 | \$0 | \$0 | \$3,980,151* | 0.00 | \$536,837 | \$0 | \$0 | \$623,237* |
| Grand Total All Present Law Adjustments | | | | | \$3,941,491* | | | | | \$583,444* |

DP 3 - License Plate Re-Issue - The legislature approved general fund to pay for the production of license plates. Section 61-3-332, MCA requires that new license plates be issued January 1, 2006. The amount requested is based on the production of 2,700,000 plates (1,350,000 sets) in FY 2006 and 735,000 plates (367,500 sets) in FY 2007. The personal services portion of this request includes inmate payroll of \$19,760 and anticipated overtime of \$9,799 for 2.00 FTE.

DP 8 - Vocational Education Inmate Payroll - The legislature approved funding for the zero based portion of inmate pay as well as an increase due to the increased number of students in the vocational education classes.

DP 9 - Vocational Education Additional Authority for Internal Service Fund - The legislature approved additional authority for the vocational education internal service fund in the area of operating expenditures to cover the increase in the cost of parts and supplies needed in the motor vehicle maintenance production shop. This is a request for \$50,000 each year of proprietary funding.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|------------------|-----------------------|-----------------|---------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 04 | 0.00 | 14,149 | 0 | 0 | 18,969* | 0.00 | 36,329 | 0 | 0 | 48,918* |
| Total | 0.00 | \$14,149 | \$0 | \$0 | \$18,969* | 0.00 | \$36,329 | \$0 | \$0 | \$48,918* |

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Program Description

The Montana Correctional Enterprises (MCE) Industry program includes furniture, upholstery, print, sign, and laundry operations at the Montana State Prison facility. At the current time there are not any programs operating at the Montana Women's Prison or regional and private facilities. The MCE Ranch and Dairy operation includes range cattle, crops, feedlot, land management, dairy milking parlor, dairy processing, heifer reproduction, lumber processing, and the Montana Food Bank Cannery, which are all located at the Montana State Prison facility. The MCE Vocational Education program operates a motor vehicle maintenance shop and Toyota cutaway operation.

Proprietary Revenues and Expenses

MCE revenues are derived from product sales to state, county, and private customers. Operational needs, cash flow, economic return, customer orders, and product inventory levels determine the expenses. Overall revenue levels are dependant on marketing efforts, legislative restrictions, state agency purchases, retail outlet dealer sales, expansion and adjustment of the product line, private sector complaints, and private customer contracts. In addition, revenues from the industries laundry are dependant on the daily populations of Montana State Hospital and Montana State Prison, as the bulk of the processed laundry is from these two facilities.

MCE ranch and dairy revenues are based on the market value of products sold. Revenues can vary depending on the current market for range cattle and raw milk. Expenditures are dependant on operational needs, cash flow, economic return, weather conditions, product market prices, and discussion with the Ranch Advisory Committee.

MCE vocational education motor vehicle maintenance (MVM) revenues are based on customer vehicle and equipment repair and maintenance needs. Toyota revenues are based on contracts with the Toyota Company for producing motor vehicle cut-always and trainers. The main customers for the MVM operation are the MCE ranch and the Montana State Prison. Revenues, and the need for parts and supplies for the repairs, and contract projects determine the expenditure levels.

Proprietary Rate Explanation

The MCE Industries rates for furniture, upholstery, print and sign shops are based on competitive product pricing.

The current laundry rates are as follows:

| | |
|---|------------------|
| Montana State Prison | \$.39 per pound |
| Treasure State Correctional Training Center | \$.39 per pound |
| Montana State Hospital | \$.38 per pound |
| Montana Developmental Center | \$.46 per pound |
| Riverside Youth Correctional Facility | \$.46 per pound |

The break even cost for laundry operations is approximately \$.35 per pound without delivery costs. Any profit is maintained within the industries fund to be used for future laundry equipment replacement, as well as the overall industries enterprise operation.

MCE ranch and dairy rates are based on the current market prices of cattle, crops and dairy products. Lumber processing rates are based on current market value of the service performed.

Montana Food Bank Cannery is not based on a rate, but the actual cost of expenses incurred. MCE vocational education motor vehicle maintenance (MVM) and Toyota pricing are based on the cost of parts and an hourly labor charged. The labor charge covers the cost of the 4.00 FTE associated with the MVM and Toyota operations.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 202.85 | 0.00 | 0.00 | 202.85 | 0.00 | 0.00 | 202.85 | 202.85 |
| Personal Services | 8,223,206 | 841,357 | 254,764 | 9,319,327 | 851,902 | 658,274 | 9,733,382 | 19,052,709 |
| Operating Expenses | 1,849,765 | 191,435 | 0 | 2,041,200 | 185,647 | 0 | 2,035,412 | 4,076,612 |
| Equipment | 5,350 | 0 | 0 | 5,350 | 0 | 0 | 5,350 | 10,700 |
| Benefits & Claims | 6,072,076 | 0 | 1,770,304 | 7,842,380 | 0 | 1,770,304 | 7,842,380 | 15,684,760 |
| Total Costs | \$16,150,397 | \$1,032,792 | \$2,025,068 | \$19,208,257 | \$1,037,549 | \$2,428,578 | \$19,616,524 | \$38,824,781 |
| General Fund | 15,485,203 | 800,201 | 1,754,764 | 18,040,168 | 804,958 | 2,158,274 | 18,448,435 | 36,488,603 |
| State/Other Special | 436,517 | 0 | 270,304 | 706,821 | 0 | 270,304 | 706,821 | 1,413,642 |
| Federal Special | 228,677 | 232,591 | 0 | 461,268 | 232,591 | 0 | 461,268 | 922,536 |
| Total Funds | \$16,150,397 | \$1,032,792 | \$2,025,068 | \$19,208,257 | \$1,037,549 | \$2,428,578 | \$19,616,524 | \$38,824,781 |

Program Description

The Juvenile Corrections Division is responsible for all state operated youth programs, including: Pine Hills Youth Correctional Facility for males located in Miles City and Riverside Youth Correctional Facility for females in Boulder. Additional responsibilities include research and training for the division and other agencies, and administrative support services. Statewide juvenile community corrections includes parole services for youth released from state operated secure care facilities, youth transition center, specialized foster care services, interstate compact service for probation and parole in and out of state, juvenile detention licensing, and monitoring and funding for state district probation placements.

Program Highlights

| Department of Corrections Juvenile Corrections Major Budget Highlights | |
|--|--|
| <ul style="list-style-type: none"> ◆ The legislature fully funded this program and added a transfer of \$3.0 million from Secure Custody Facilities program for the Juvenile Delinquency Placement program ◆ The legislature provided \$0.5 million over the base budget for spending authority of parental contributions toward the care of adjudicated youths ◆ The legislature approved an increase in federal funds of \$0.5 million over the base budget for education and food program grants | |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Juvenile Corrections | | | | | |
|-----------------|------------------------------------|---|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 15,485,203 | 95.9% | \$ 18,040,168 | 93.9% | \$ 18,448,435 | 94.0% |
| | 01100 General Fund | 15,485,203 | 95.9% | 18,040,168 | 93.9% | 18,448,435 | 94.0% |
| 02000 | Total State Special Funds | 436,517 | 2.7% | 706,821 | 3.7% | 706,821 | 3.6% |
| | 02034 Earmarked Alcohol Funds | 25,523 | 0.2% | 25,523 | 0.1% | 25,523 | 0.1% |
| | 02916 Phs-Canteen | 5,740 | 0.0% | 5,740 | 0.0% | 5,740 | 0.0% |
| | 02927 Phs Donations/I & I | 257,115 | 1.6% | 257,115 | 1.3% | 257,115 | 1.3% |
| | 02970 Juvenile Plcmnt Cost Of Care | 148,139 | 0.9% | 418,443 | 2.2% | 418,443 | 2.1% |
| 03000 | Total Federal Special Funds | 228,677 | 1.4% | 461,268 | 2.4% | 461,268 | 2.4% |
| | 03084 Mvs-School Foods | - | - | 28,000 | 0.1% | 28,000 | 0.1% |
| | 03089 Phs-School Foods | - | - | 150,000 | 0.8% | 150,000 | 0.8% |
| | 03099 Phs-Esea Title I | - | - | 45,941 | 0.2% | 45,941 | 0.2% |
| | 03315 Misc Federal Grants | 200,385 | 1.2% | 209,035 | 1.1% | 209,035 | 1.1% |
| | 03530 6901-Foster Care 93.658 | 28,292 | 0.2% | 28,292 | 0.1% | 28,292 | 0.1% |
| Grand Total | | \$ 16,150,397 | 100.0% | \$ 19,208,257 | 100.0% | \$ 19,616,524 | 100.0% |

This program is funded primarily with general fund and has a minor amount of state special and federal special revenue. State special revenue funds are alcohol funds from the Department of Health and Human Services (DPHHS), Pine Hills Youth Correctional Facility canteen funds, interest and income from the Department of Natural Resources and Conservation, and juvenile parental contributions to the cost of care funds. Federal funds are from pass-through grants from the Office of Public Instruction and foster care IV-E payments from DPHHS.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|--------------------|-------------|------------------|------------------|--------------------|--------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 784,373 | | | | | 783,640 |
| Vacancy Savings | | | | (360,307) | | | | | (360,273) |
| Inflation/Deflation | | | | 13,435 | | | | | 7,647 |
| Total Statewide Present Law Adjustments | | | | \$437,501 | | | | | \$431,014 |
| DP 4 - Juvenile Corrections Division Overtime | 0.00 | 332,700 | 0 | 332,700 | 0.00 | 343,944 | 0 | 0 | 343,944 |
| DP 10 - Restore Inmate Pay | 0.00 | 30,000 | 0 | 30,000 | 0.00 | 30,000 | 0 | 0 | 30,000 |
| DP 15 - Juvenile Federal Authority Request | 0.00 | 0 | 0 | 232,591 | 0.00 | 0 | 0 | 232,591 | 232,591 |
| Total Other Present Law Adjustments | | | | \$595,291 | 0.00 | \$373,944 | \$0 | \$232,591 | \$606,535 |
| Grand Total All Present Law Adjustments | | | | \$1,032,792 | | | | | \$1,037,549 |

Descriptions of these present law adjustments are included in the subprogram sections that follow.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------------|------------------|-----------------|---------------------|-------------|--------------------|------------------|-----------------|---------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 310 - JDIP Funding | | | | | | | | | | |
| 05 | 0.00 | 1,500,000 | 0 | 0 | 1,500,000 | 0.00 | 1,500,000 | 0 | 0 | 1,500,000 |
| DP 316 - Juvenile - Parental Contribution Authority | | | | | | | | | | |
| 05 | 0.00 | 0 | 270,304 | 0 | 270,304 | 0.00 | 0 | 270,304 | 0 | 270,304 |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 05 | 0.00 | 254,764 | 0 | 0 | 254,764 | 0.00 | 658,274 | 0 | 0 | 658,274 |
| Total | 0.00 | \$1,754,764 | \$270,304 | \$0 | \$2,025,068* | 0.00 | \$2,158,274 | \$270,304 | \$0 | \$2,428,578* |

Descriptions of the above new proposals are included in the subprogram budget presentations.

Language

The legislature approved the following language for inclusion in HB2:

"If the department determines through forecasts that it will experience a shortfall in the general fund appropriation in either fiscal year of the 2007 biennium for secure facilities, the department may transfer up to \$1,500,000 in general fund money that is available and unencumbered in that fiscal year from Juvenile Placement Funds (Restricted) to Secure Facilities (03)."

Sub-Program Details

JUVENILE CORRECTIONS ADMIN 01

The Juvenile Corrections Administration Division is responsible for all state operated youth programs, including Pine Hills Youth Correctional Facility for males located in Miles City, Riverside Youth Correctional Facility for females in Boulder, and the Juvenile Community Corrections Bureau.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 5.00 | 0.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 | 5.00 |
| Personal Services | 196,058 | 68,404 | 254,764 | 519,226 | 69,503 | 658,274 | 923,835 | 1,443,061 |
| Operating Expenses | 32,686 | (573) | 0 | 32,113 | (555) | 0 | 32,131 | 64,244 |
| Total Costs | \$228,744 | \$67,831 | \$254,764 | \$551,339 | \$68,948 | \$658,274 | \$955,966 | \$1,507,305 |
| General Fund | 228,744 | 67,831 | 254,764 | 551,339 | 68,948 | 658,274 | 955,966 | 1,507,305 |
| Total Funds | \$228,744 | \$67,831 | \$254,764 | \$551,339 | \$68,948 | \$658,274 | \$955,966 | \$1,507,305 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-----------------|-------------|--------------|---------------|-----------------|-----------------|
| FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 79,424 | | | | | 80,569 |
| Vacancy Savings | | | | (11,020) | | | | | (11,066) |
| Inflation/Deflation | | | | (573) | | | | | (555) |
| Total Statewide Present Law Adjustments | | | | \$67,831 | | | | | \$68,948 |
| Grand Total All Present Law Adjustments | | | | \$67,831 | | | | | \$68,948 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|-----------------------|------------------|------------------|--------------------|-------------------|-----------------------|------------------|------------------|--------------------|--------------------|
| Sub Program | -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 477 | | | | | | | | | | |
| 01 | 0.00 | 254,764 | 0 | 0 | 254,764 | 0.00 | 658,274 | 0 | 0 | 658,274 |
| Total | 0.00 | \$254,764 | \$0 | \$0 | \$254,764* | 0.00 | \$658,274 | \$0 | \$0 | \$658,274 * |

DP 6010 - 2007 Biennium Pay Plan - HB 477 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Sub-Program Details**JUVENILE CORRECTIONS BUREAU 02**

The Juvenile Corrections Bureau consists of statewide juvenile community corrections including parole services for youth released from state operated secure care facilities, youth transition center, specialized foster care services, interstate compact services for probation and parole in and out of state, juvenile detention licensing, monitoring and funding for state district probation placements, research and training for the division and other agencies, and administrative support services.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 21.50 | 0.00 | 0.00 | 21.50 | 0.00 | 0.00 | 21.50 | 21.50 |
| Personal Services | 1,072,544 | (7,484) | 0 | 1,065,060 | (7,087) | 0 | 1,065,457 | 2,130,517 |
| Operating Expenses | 283,623 | (6,493) | 0 | 277,130 | (6,244) | 0 | 277,379 | 554,509 |
| Total Costs | \$1,356,167 | (\$13,977) | \$0 | \$1,342,190 | (\$13,331) | \$0 | \$1,342,836 | \$2,685,026 |
| General Fund | 1,356,167 | (13,977) | 0 | 1,342,190 | (13,331) | 0 | 1,342,836 | 2,685,026 |
| Total Funds | \$1,356,167 | (\$13,977) | \$0 | \$1,342,190 | (\$13,331) | \$0 | \$1,342,836 | \$2,685,026 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------------|--------------|---------------|-----------------|-------------------|-----------------------|--------------|---------------|-------------------|
| | -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Total Funds |
| Personal Services | | | | | 36,893 | | | | 37,308 |
| Vacancy Savings | | | | | (44,377) | | | | (44,395) |
| Inflation/Deflation | | | | | (6,493) | | | | (6,244) |
| Total Statewide Present Law Adjustments | | | | | (\$13,977) | | | | (\$13,331) |
| Grand Total All Present Law Adjustments | | | | | (\$13,977) | | | | (\$13,331) |

Sub-Program Details

RIVERSIDE YOUTH CORRECTIONAL FACIL 03

The Riverside Youth Correctional Facility located in Boulder, is a detention facility for juvenile female offenders. The program places an emphasis on offenders accepting responsibility for their actions and gaining individual competencies that will help them avoid re-offending. The treatment programs include education, counseling, personal growth activities, and parental involvement. This facility has an operational capacity for 20 juveniles.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 25.50 | 0.00 | 0.00 | 25.50 | 0.00 | 0.00 | 25.50 | 25.50 |
| Personal Services | 1,101,995 | 36,566 | 0 | 1,138,561 | 43,027 | 0 | 1,145,022 | 2,283,583 |
| Operating Expenses | 210,398 | 33,469 | 0 | 243,867 | 31,756 | 0 | 242,154 | 486,021 |
| Total Costs | \$1,312,393 | \$70,035 | \$0 | \$1,382,428 | \$74,783 | \$0 | \$1,387,176 | \$2,769,604 |
| General Fund | 1,292,259 | 53,519 | 0 | 1,345,778 | 58,267 | 0 | 1,350,526 | 2,696,304 |
| State/Other Special | 20,134 | (20,134) | 0 | 0 | (20,134) | 0 | 0 | 0 |
| Federal Special | 0 | 36,650 | 0 | 36,650 | 36,650 | 0 | 36,650 | 73,300 |
| Total Funds | \$1,312,393 | \$70,035 | \$0 | \$1,382,428 | \$74,783 | \$0 | \$1,387,176 | \$2,769,604 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|-----------------|-----------------|------------------|-------------|-----------------|---------------|-----------------|-------------------|
| FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 31,695 | | | | | 31,259 |
| Vacancy Savings | | | | (45,347) | | | | | (45,328) |
| Inflation/Deflation | | | | 5,469 | | | | | 3,756 |
| Total Statewide Present Law Adjustments | | | | (\$8,183) | | | | | (\$10,313) |
| DP 4 - Juvenile Corrections Division Overtime | 0.00 | 41,568 | 0 | 41,568 | 0.00 | 48,446 | 0 | 0 | 48,446 |
| DP 15 - Juvenile Federal Authority Request | 0.00 | 0 | 0 | 36,650 | 0.00 | 0 | 0 | 36,650 | 36,650 |
| Total Other Present Law Adjustments | 0.00 | \$41,568 | \$0 | \$78,218 | 0.00 | \$48,446 | \$0 | \$36,650 | \$85,096 |
| Grand Total All Present Law Adjustments | | | | \$70,035 | | | | | \$74,783 |

DP 4 - Juvenile Corrections Division Overtime - The legislature approved an appropriation for overtime for personnel at the Riverside Youth Correctional Facility, the Pine Hills Youth Correctional Facility, and at the Great Falls Transition Center. Overtime is a zero-based budget item. These facilities are operational 24 hours per day and 365 days per year, and overtime is used to maintain staff coverage.

DP 15 - Juvenile Federal Authority Request - The legislature approved appropriation authority for annual federal grants that allow for the enhancement of education programs. These grants are from the Office of Public Instruction and include the Title I grant and the school foods grant for both Pine Hills and Riverside.

Sub-Program Details

TRANSITION CENTERS 04

The youth transition center, located in Great Falls, serves as placement for youth prior to their return into the community. Program components include counseling, community service, education, and employment. An average of six beds were full in FY 2004.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 16.00 | 0.00 | 0.00 | 16.00 | 0.00 | 0.00 | 16.00 | 16.00 |
| Personal Services | 555,279 | 27,921 | 0 | 583,200 | 28,293 | 0 | 583,572 | 1,166,772 |
| Operating Expenses | 102,238 | (963) | 0 | 101,275 | (997) | 0 | 101,241 | 202,516 |
| Total Costs | \$657,517 | \$26,958 | \$0 | \$684,475 | \$27,296 | \$0 | \$684,813 | \$1,369,288 |
| General Fund | 657,517 | 26,958 | 0 | 684,475 | 27,296 | 0 | 684,813 | 1,369,288 |
| Total Funds | \$657,517 | \$26,958 | \$0 | \$684,475 | \$27,296 | \$0 | \$684,813 | \$1,369,288 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|-----------------|-------------|-----------------|------------------|--------------------|-----------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 27,890 | | | | | 27,912 |
| Vacancy Savings | | | | (23,326) | | | | | (23,326) |
| Inflation/Deflation | | | | (963) | | | | | (997) |
| Total Statewide Present Law Adjustments | | | | \$3,601 | | | | | \$3,589 |
| DP 4 - Juvenile Corrections Division Overtime | | | | | | | | | |
| 0.00 | 23,357 | 0 | 0 | 23,357 | 0.00 | 23,707 | 0 | 0 | 23,707 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$23,357 | \$0 | \$0 | \$23,357 | 0.00 | \$23,707 | \$0 | \$0 | \$23,707 |
| Grand Total All Present Law Adjustments | | | | \$26,958 | | | | | \$27,296 |

DP 4 - Juvenile Corrections Division Overtime - The legislature approved an appropriation for overtime for personnel at the Riverside Youth Correctional Facility, the Pine Hills Youth Correctional Facility, and at the Great Falls Transition Center. Overtime is a zero-based budget item. These facilities are operational 24 hours per day and 365 days per year, and overtime is used to maintain staff coverage.

Sub-Program Details

PINE HILLS YOUTH CORRECTIONAL FACI 05

Pine Hills Youth Correctional Facility located in Miles City, houses male juvenile offenders. The operational capacity is 144 beds. The facility also provides residential sex offender and chemical dependency programs. The average daily population was 90 during FY 2004.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 134.85 | 0.00 | 0.00 | 134.85 | 0.00 | 0.00 | 134.85 | 134.85 |
| Personal Services | 5,297,330 | 715,950 | 0 | 6,013,280 | 718,166 | 0 | 6,015,496 | 12,028,776 |
| Operating Expenses | 997,387 | 165,995 | 0 | 1,163,382 | 161,687 | 0 | 1,159,074 | 2,322,456 |
| Equipment | 5,350 | 0 | 0 | 5,350 | 0 | 0 | 5,350 | 10,700 |
| Benefits & Claims | 76,734 | 0 | 0 | 76,734 | 0 | 0 | 76,734 | 153,468 |
| Total Costs | \$6,376,801 | \$881,945 | \$0 | \$7,258,746 | \$879,853 | \$0 | \$7,256,654 | \$14,515,400 |
| General Fund | 5,888,038 | 686,004 | 0 | 6,574,042 | 683,912 | 0 | 6,571,950 | 13,145,992 |
| State/Other Special | 288,378 | 0 | 0 | 288,378 | 0 | 0 | 288,378 | 576,756 |
| Federal Special | 200,385 | 195,941 | 0 | 396,326 | 195,941 | 0 | 396,326 | 792,652 |
| Total Funds | \$6,376,801 | \$881,945 | \$0 | \$7,258,746 | \$879,853 | \$0 | \$7,256,654 | \$14,515,400 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|------------------|-------------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 608,471 | | | | | 606,592 |
| Vacancy Savings | | | | (236,237) | | | | | (236,158) |
| Inflation/Deflation | | | | 15,995 | | | | | 11,687 |
| Total Statewide Present Law Adjustments | | | | \$388,229 | | | | | \$382,121 |
| DP 4 - Juvenile Corrections Division Overtime | | | | | | | | | |
| 0.00 | 267,775 | 0 | 0 | 267,775 | 0.00 | 271,791 | 0 | 0 | 271,791 |
| DP 10 - Restore Inmate Pay | | | | | | | | | |
| 0.00 | 30,000 | 0 | 0 | 30,000 | 0.00 | 30,000 | 0 | 0 | 30,000 |
| DP 15 - Juvenile Federal Authority Request | | | | | | | | | |
| 0.00 | 0 | 0 | 195,941 | 195,941 | 0.00 | 0 | 0 | 195,941 | 195,941 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$297,775 | \$0 | \$195,941 | \$493,716 | 0.00 | \$301,791 | \$0 | \$195,941 | \$497,732 |
| Grand Total All Present Law Adjustments | | | | \$881,945 | | | | | \$879,853 |

DP 4 - Juvenile Corrections Division Overtime - The legislature approved an appropriation for overtime for personnel at the Riverside Youth Correctional Facility, the Pine Hills Youth Correctional Facility, and at the Great Falls Transition Center. Overtime is a zero-based budget item. These facilities are operational 24 hours per day and 365 days per year, and overtime is used to maintain staff coverage.

DP 10 - Restore Inmate Pay - The legislature approved funding for inmate pay, which is zero based, in the Restitution Program. The Restitution Program at Pine Hills Youth Correctional Facility currently operates with a combination of general fund money as well as income paid to juvenile offenders working with the Action For Eastern Montana's Youth Employment and Training Program (AEM). The focus of AEM has changed and the juvenile offenders at PHYCF can no longer rely on as many work spots as it has in the past. In order to maintain current level of victim restitution payments, additional general fund authority was added to replace the lost wages from AEM.

DP 15 - Juvenile Federal Authority Request - The legislature approved appropriation authority for annual federal grants that allow for the enhancement of education programs. These grants are from the Office of Public Instruction and include the Title I grant and the school foods grant for both Pine Hills and Riverside.

Sub-Program Details

JUVENILE PLACEMENT FUNDS 06

Juvenile Placement funds are used to place youth under the supervision of the Department of Corrections into private treatment facilities. Over 1,026 youth were served with juvenile placement funds in fiscal 2004. Each judicial district has a Youth Placement Committee which functions as a screening committee for all juvenile offenders referred to as "out of home" placements, and makes recommendations to the Youth Court as to the most appropriate and cost-effective placement. The juvenile placement funds are allocated to judicial districts. In addition, \$1.0 million is placed in a cost containment fund each year. The costs containment panel determines the distribution of those funds.

Sub-Program Legislative Budget

The following table summarizes the legislative budget proposal for this subprogram by year, type of expenditure, and source of funding.

| Sub-Program Legislative Budget | | | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| Operating Expenses | 223,433 | 0 | 0 | 223,433 | 0 | 0 | 223,433 | 446,866 |
| Benefits & Claims | 5,995,342 | 0 | 1,770,304 | 7,765,646 | 0 | 1,770,304 | 7,765,646 | 15,531,292 |
| Total Costs | \$6,218,775 | \$0 | \$1,770,304 | \$7,989,079 | \$0 | \$1,770,304 | \$7,989,079 | \$15,978,158 |
| General Fund | 6,062,478 | (20,134) | 1,500,000 | 7,542,344 | (20,134) | 1,500,000 | 7,542,344 | 15,084,688 |
| State/Other Special | 128,005 | 20,134 | 270,304 | 418,443 | 20,134 | 270,304 | 418,443 | 836,886 |
| Federal Special | 28,292 | 0 | 0 | 28,292 | 0 | 0 | 28,292 | 56,584 |
| Total Funds | \$6,218,775 | \$0 | \$1,770,304 | \$7,989,079 | \$0 | \$1,770,304 | \$7,989,079 | \$15,978,158 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------------|------------------|--------------------|---------------------|-------------|--------------------|------------------|--------------------|----------------------|
| Sub Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 310 - JDIP Funding | | | | | | | | | | |
| 06 | 0.00 | 1,500,000 | 0 | 0 | 1,500,000 | 0.00 | 1,500,000 | 0 | 0 | 1,500,000 |
| DP 316 - Juvenile - Parental Contribution Authority | | | | | | | | | | |
| 06 | 0.00 | 0 | 270,304 | 0 | 270,304 | 0.00 | 0 | 270,304 | 0 | 270,304 |
| Total | 0.00 | \$1,500,000 | \$270,304 | \$0 | \$1,770,304* | 0.00 | \$1,500,000 | \$270,304 | \$0 | \$1,770,304 * |

DP 310 – Juvenile Delinquency Intervention Program Funding - The legislature approved a transfer of \$1,500,000 in each fiscal year of the biennium from secure facilities to juvenile corrections to restore past funding that was transferred from juvenile corrections to secure facilities to address shortfalls. This action was to restore the juvenile placement funds back to historical levels. The department noted that these funds were removed from the juvenile placement program by the department over time and used to pay for shortfalls in funding in secure facilities. The net impact is zero, as the secure custody facilities division includes a corresponding decrease.

DP 316 - Juvenile - Parental Contribution Authority - The legislature approved funding authority of \$270,304 in each fiscal year of the biennium in state special revenue to allow Juvenile Corrections to use the funding received from parental contributions towards the cost of care for adjudicated youths.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB' 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 707.48 | 19.10 | 0.00 | 726.58 | 19.10 | 0.00 | 726.58 | 726.58 |
| Personal Services | 27,192,817 | 4,365,190 | 966,848 | 32,524,855 | 4,360,380 | 2,526,886 | 34,080,083 | 66,604,938 |
| Operating Expenses | 15,428,118 | 2,991,689 | 0 | 18,419,807 | 2,908,583 | 0 | 18,336,701 | 36,756,508 |
| Equipment | 358,420 | 39,000 | 0 | 397,420 | 35,000 | 0 | 393,420 | 790,840 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 16,811,904 | 457,492 | 0 | 17,269,396 | 467,055 | 0 | 17,278,959 | 34,548,355 |
| Benefits & Claims | 186,799 | 0 | 0 | 186,799 | 0 | 0 | 186,799 | 373,598 |
| Transfers | 129,297 | 0 | 0 | 129,297 | 0 | 0 | 129,297 | 258,594 |
| Debt Service | 3,775 | 0 | 0 | 3,775 | 0 | 0 | 3,775 | 7,550 |
| Total Costs | \$60,111,130 | \$7,853,371 | \$966,848 | \$68,931,349 | \$7,771,018 | \$2,526,886 | \$70,409,034 | \$139,340,383 |
| General Fund | 1,155,525 | 56,889 | 429,677 | 1,642,091 | 81,280 | 471,797 | 1,708,602 | 3,350,693 |
| State/Other Special | 24,912,507 | 4,749,916 | 827,964 | 30,490,387 | 4,860,087 | 1,839,107 | 31,611,701 | 62,102,088 |
| Federal Special | 33,982,053 | 3,027,404 | (292,713) | 36,716,744 | 2,811,348 | 211,076 | 37,004,477 | 73,721,221 |
| Proprietary | 61,045 | 19,162 | 1,920 | 82,127 | 18,303 | 4,906 | 84,254 | 166,381 |
| Total Funds | \$60,111,130 | \$7,853,371 | \$966,848 | \$68,931,349 | \$7,771,018 | \$2,526,886 | \$70,409,034 | \$139,340,383 |

Agency Description

The Department of Labor and Industry has a number of functions. In part, the department:

- Oversees and regulates the Montana workers' compensation system
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Administers the Unemployment Insurance Program and disburses state unemployment benefits
- Serves as an employment agency, provides job training to assist individuals in preparing for and finding jobs, and assists employers in finding workers
- Oversees federal and state training and Apprenticeship Programs
- Conducts research and collects employment statistics
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Services
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the 38 professional boards and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes

Structurally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Relations (including the Human Rights Commission); and 5) Business Standards. The Office of Community Services and Workers' Compensation Court are administratively attached.

Agency Highlights

| Department of Labor and Industry Major Budget Highlights | |
|--|--|
| <p>Total funding increases of \$19.1 million over the FY 2004 base year are due to the following:</p> <ul style="list-style-type: none"> ◆ Statewide and other present law adjustments of \$15.6 million include: <ul style="list-style-type: none"> • Statewide present law adjustments (\$6.4 million) • Operating cost increases for the four different bureaus in the Business Standards Division (\$2.7 million) • Completing the transfer of the UI Contribution Bureau from the Department of Revenue (\$1.7 million) • Revising independent contractor registration (\$1.6 million) • Adding 6.0 FTE and \$1.5 million for additional staffing and training in rural job service centers ◆ New proposals of \$3.5 million are due to implementing HB 447, the statewide pay plan | |

Summary of Legislative Action

Of the \$19.1 million in increases over the 2004 base expenditures, general fund increases by \$1.0 million and state special state special accounts for \$12.3 million of the overall increases, leaving federal special revenue with an increase of \$5.8 million over the biennium.

The \$1.0 million increase in general fund is primarily due to funding switches of \$800,000 for the Jobs for Montana Graduates and the Humans Rights Bureau from federal and state special revenue over the biennium. The remaining increases in general fund are to implement HB 447, the statewide pay plan.

The majority of the increases in the 2007 biennium are funded with state special revenue for statewide present law adjustments.

In the 2005 biennium the legislature passed SB 271, which transferred 43.0 FTE from the Department of Revenue to the Department of Labor and Industry for processing and collecting of unemployment insurance. Those 43.0 FTE were transferred in the last biennium but were not in the base year expenditures for the department. Of the \$6.4 million in statewide present law adjustments, SB 271 accounted for \$3.6 million of this total. The 2005 legislature appropriated additional spending authority of \$1.7 million for completing the transfer of the UI Contribution Bureau and increased staffing by 6.0 FTE in rural job services centers throughout Montana at a cost of \$1.5 million.

The remaining increases are primarily due to funding HB 447, the statewide pay plan and operating cost adjustments for the department.

Federal special revenue increases consist mainly of funding the statewide pay plan and the cost associated with collecting the federal portion of unemployment insurance.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | | |
|--|--------------|---------------|---------------|-------------|----------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Proprietary | Grand Total | Total % |
| 01 Work Force Services Division | \$ 1,074,772 | \$ 18,235,088 | \$ 48,251,055 | \$ - | \$ 67,560,915 | 48.49% |
| 02 Unemployment Insurance Divisio | - | 1,320,046 | 18,361,861 | - | 19,681,907 | 14.13% |
| 03 Commissioner'S Office/Csd | 405,968 | 1,587,806 | 960,833 | 166,381 | 3,120,988 | 2.24% |
| 04 Employment Relations Division | 1,769,755 | 15,413,196 | 1,322,021 | - | 18,504,972 | 13.28% |
| 05 Business Standards Division | - | 24,395,949 | - | - | 24,395,949 | 17.51% |
| 07 Office Of Community Services | 100,198 | - | 4,825,451 | - | 4,925,649 | 3.53% |
| 09 Workers Compensation Court | - | 1,150,003 | - | - | 1,150,003 | 0.83% |
| Grand Total | \$ 3,350,693 | \$ 62,102,088 | \$ 73,721,221 | \$ 166,381 | \$ 139,340,383 | 100.00% |

Other Legislation

House Bill 160 - HB 160 increases fees for boiler inspections and certification activities due to workload increases. It is estimated there will be 3,130 hot water boiler inspections done in the 2007 biennium and the current fee schedule does not generate sufficient revenues to cover the cost of the inspections. State special revenue authority of \$50,375 per year was appropriated for the increases provided for in HB 160.

House Bill 203 - HB 203 expands and clarifies the responsibility of the boards in the Department of Labor and Industry. The Board of Sanitarians, Public Accountants, and Athletics expanded their board members by two members and received additional spending authority for travel and per diem for the new board members. To implement HB 203, the legislature appropriated \$26,000 each year of state special revenue for expanding the above-mentioned boards.

House Bill 268 - HB 268 creates a new five-member board for the Alternative Adolescent Residential Program and appropriates \$42,650 of state special revenue for the biennium. The purpose of the board is to examine the benefit of licensing private Alternative Adolescent Residential or Outdoor Programs as a public service to monitor and maintain a high standard of care and to ensure the safety and well being of the adolescents and parents using the programs.

House Bill 327 - HB 327 appropriates \$26,400 each year of general fund to increase silicosis benefits by \$50 each month for any individual receiving benefits.

Senate Bill 64 - SB 64 revises laws that cover contractor registration, construction contractors, and specifies the disposal of construction contractor and independent contractor registration and fees. The legislature appropriated \$129,756 of state special revenue over the 2007 biennium to implement SB 64.

Senate Bill 108 - SB 108 revises the requirements for certification of independent contractors. The legislature appropriated \$1.6 million and added 6.0 FTE in HB 2 in the Employment Relations Division over the biennium to implement SB 108.

Senate Bill 412 - SB 412 establishes licensure and regulation for elevator contractors, mechanics, and inspectors and authorizes the Department of Labor and Industry to provide for a limited mechanic's license and a limited elevator contractor's license. SB 412 also provides for the appointment of a licensed elevator mechanic to the building codes council. Total fiscal impact for implementing SB 412 is \$85,390 of state special revenue over the 2007 biennium.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
|---------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| FTE | 707.48 | 714.08 | 726.58 | 12.50 | 714.08 | 726.58 | 12.50 | |
| Personal Services | 27,192,817 | 31,051,686 | 32,524,855 | 1,473,169 | 31,048,274 | 34,080,083 | 3,031,809 | 4,504,978 |
| Operating Expenses | 15,428,118 | 17,631,967 | 18,419,807 | 787,840 | 17,697,974 | 18,336,701 | 638,727 | 1,426,567 |
| Equipment | 358,420 | 397,420 | 397,420 | 0 | 393,420 | 393,420 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 16,811,904 | 16,811,904 | 17,269,396 | 457,492 | 16,811,904 | 17,278,959 | 467,055 | 924,547 |
| Benefits & Claims | 186,799 | 186,799 | 186,799 | 0 | 186,799 | 186,799 | 0 | 0 |
| Transfers | 129,297 | 129,297 | 129,297 | 0 | 129,297 | 129,297 | 0 | 0 |
| Debt Service | 3,775 | 3,775 | 3,775 | 0 | 3,775 | 3,775 | 0 | 0 |
| Total Costs | \$60,111,130 | \$66,212,848 | \$68,931,349 | \$2,718,501 | \$66,271,443 | \$70,409,034 | \$4,137,591 | \$6,856,092 |
| General Fund | 1,155,525 | 1,826,079 | 1,642,091 | (183,988) | 1,848,340 | 1,708,602 | (139,738) | (323,726) |
| State/Other Special | 24,912,507 | 27,686,362 | 30,490,387 | 2,804,025 | 27,922,361 | 31,611,701 | 3,689,340 | 6,493,365 |
| Federal Special | 33,982,053 | 36,620,200 | 36,716,744 | 96,544 | 36,421,394 | 37,004,477 | 583,083 | 679,627 |
| Proprietary | 61,045 | 80,207 | 82,127 | 1,920 | 79,348 | 84,254 | 4,906 | 6,826 |
| Total Funds | \$60,111,130 | \$66,212,848 | \$68,931,349 | \$2,718,501 | \$66,271,443 | \$70,409,034 | \$4,137,591 | \$6,856,092 |

For the biennium, the legislative budget is \$6.8 million higher than the executive budget proposal. The legislature made the following major changes:

The decrease in general fund of \$323,726 is the net result of not accepting the executive proposal to fund the Displaced Homemaker program with general fund, instead funding the program with the employment security account (ESA), and funding increases for HB 447, the statewide pay plan.

The legislature increased state special revenue appropriations by \$6.5 million primarily due to the following. The legislature:

- Replaced \$447,570 in federal special revenue funding over the biennium with state special revenue in the Unemployment Contribution Bureau to complete the transfer of the Contribution Bureau from the Department of Revenue
- Appropriated an additional \$1.5 million of employment security account funds (ESA) and added 6.00 FTE in local workforce centers in rural communities to provide additional training to small businesses in those communities
- Revised the requirements for independent contractor registration (\$1.6 million)
- Funded the Displaced Homemaker program with ESA instead of general fund (\$464,820)
- Funded HB 447, the statewide pay plan (\$2.2 million)

Federal special revenue is increased by \$679,627 due to the net effect of increases for funding the statewide pay plan and decreases in the new cost allocation plan submitted to the federal Unemployment Insurance Division for collecting the ESA funds with Unemployment Insurance tax.

The increase in proprietary funding of \$6,826 is for HB 447, the statewide pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 302.45 | 5.75 | 0.00 | 308.20 | 5.75 | 0.00 | 308.20 | 308.20 |
| Personal Services | 11,555,867 | 1,196,777 | 397,415 | 13,150,059 | 1,192,116 | 1,040,311 | 13,788,294 | 26,938,353 |
| Operating Expenses | 4,783,957 | 241,900 | 0 | 5,025,857 | 195,375 | 0 | 4,979,332 | 10,005,189 |
| Equipment | 79,168 | 0 | 0 | 79,168 | 0 | 0 | 79,168 | 158,336 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 14,637,948 | 457,492 | 0 | 15,095,440 | 467,055 | 0 | 15,105,003 | 30,200,443 |
| Transfers | 129,297 | 0 | 0 | 129,297 | 0 | 0 | 129,297 | 258,594 |
| Total Costs | \$31,186,237 | \$1,896,169 | \$397,415 | \$33,479,821 | \$1,854,546 | \$1,040,311 | \$34,081,094 | \$67,560,915 |
| General Fund | 363,669 | 10,727 | 157,844 | 532,240 | 10,726 | 168,137 | 542,532 | 1,074,772 |
| State/Other Special | 7,024,859 | 1,004,172 | 759,765 | 8,788,796 | 1,164,038 | 1,257,395 | 9,446,292 | 18,235,088 |
| Federal Special | 23,797,709 | 881,270 | (520,194) | 24,158,785 | 679,782 | (385,221) | 24,092,270 | 48,251,055 |
| Proprietary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$31,186,237 | \$1,896,169 | \$397,415 | \$33,479,821 | \$1,854,546 | \$1,040,311 | \$34,081,094 | \$67,560,915 |

Program Description

The Workforce Services Division (WSD) operates through five bureaus: Field Operations, Workforce Technology, Statewide Workforce Programs, Job Service Programs, and Research and Analysis. The Field Operations Bureau functions through a network of 17 Job Service Centers. The division is a gateway to government services in the area of employment and training services. The WSD performs services that include retraining and reemployment services for laid-off workers and employment and training services for people transitioning from welfare to work, as well as for youth, veterans, seasonal/migrant farm workers, and general job seekers.

Program Highlights

| Work Force Services Division Major Budget Highlights | |
|---|--|
| ♦ | Federal Reed act funds was replaced with general fund in the Jobs for Montana Graduates Program and employment security account (ESA) funds in the Displaced Homemaker Program |
| ♦ | The legislature added 6.0 FTE and appropriated \$1.5 million in ESA funds for additional staffing and training in rural job service centers throughout Montana |
| ♦ | The remaining increases are primarily due to statewide present law adjustments, funding for the statewide pay plan, and increases in operating costs for the division |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Work Force Services Division | | | | | |
|-----------------|--------------------------------------|---|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 363,669 | 1.2% | \$ 532,240 | 1.6% | \$ 542,532 | 1.6% |
| | 01100 General Fund | 363,669 | 1.2% | 532,240 | 1.6% | 542,532 | 1.6% |
| 02000 | Total State Special Funds | 7,024,859 | 22.5% | 8,788,796 | 26.3% | 9,446,292 | 27.7% |
| | 02069 Natural Resource Worker Sb322 | 13,508 | 0.0% | 13,508 | 0.0% | 13,508 | 0.0% |
| | 02258 Employment Security Account | 4,932,048 | 15.8% | 6,622,698 | 19.8% | 7,169,799 | 21.0% |
| | 02288 Mjtp Subgrants/Contracts | 1,954,423 | 6.3% | 2,003,181 | 6.0% | 2,108,294 | 6.2% |
| | 02315 Dli Info Exchange/Rental | 77,730 | 0.2% | 81,381 | 0.2% | 83,912 | 0.2% |
| | 02455 Workers' Comp Regulation | 47,150 | 0.2% | 68,028 | 0.2% | 70,779 | 0.2% |
| 03000 | Total Federal Special Funds | 23,797,709 | 76.3% | 24,158,785 | 72.2% | 24,092,270 | 70.7% |
| | 03124 Employment Trng Grants | 2,698,467 | 8.7% | 2,742,992 | 8.2% | 2,848,614 | 8.4% |
| | 03126 Workforce Investment Act | 10,057,331 | 32.2% | 10,067,168 | 30.1% | 10,083,262 | 29.6% |
| | 03128 L & I Federal Funding | 698,573 | 2.2% | 776,799 | 2.3% | 826,520 | 2.4% |
| | 03131 Osha Stat Prgm Fed.St Sdy | 47,319 | 0.2% | 68,013 | 0.2% | 70,738 | 0.2% |
| | 03194 Research/Analysis Cmn | 826,995 | 2.7% | 951,019 | 2.8% | 986,715 | 2.9% |
| | 03297 Labor And Industry Veteran Gra | 688,198 | 2.2% | 700,157 | 2.1% | 721,118 | 2.1% |
| | 03682 Wagner Peyser | 5,473,631 | 17.6% | 5,618,413 | 16.8% | 5,772,634 | 16.9% |
| | 03692 Alien Labor Certification(Alc) | 59,501 | 0.2% | 59,750 | 0.2% | 61,607 | 0.2% |
| | 03693 Wrk Opportunities Tx Crdt/Wote | 64,607 | 0.2% | 81,416 | 0.2% | 76,387 | 0.2% |
| | 03694 Trade Adjustment Assist/Nafta | 2,513,121 | 8.1% | 3,079,333 | 9.2% | 2,630,950 | 7.7% |
| | 03954 Ui Administrative Grants | 65,549 | 0.2% | 13,725 | 0.0% | 13,725 | 0.0% |
| | 03967 Ui Reed Act | 604,417 | 1.9% | - | - | - | - |
| Grand Total | | \$ 31,186,237 | 100.0% | \$ 33,479,821 | 100.0% | \$ 34,081,094 | 100.0% |

The Workforce Service Division operations for the biennium are funded with general fund, state special, and federal special revenues.

General fund supports the Jobs for Montana Graduates program (JMG) and the empowerment zone created by the 2003 legislative session under SB 564.

State special revenue includes \$14.5 million in employment security account (ESA) funding and \$4.0 million in workforce investment act sub-grants and contracts, including National Emergency Grants to retrain dislocated workers following a mass lay-off. The ESA supports the Displaced Homemaker Program.

Federal funding includes \$20.1 million in workforce investment act (WIA) funds, \$16.3 million in federal labor and industry funds, and \$5.7 million in trade adjustment assistance funding.

The federal funding formulas have remained basically the same as in previous biennia. The funding level is determined by the state's ranking amongst other states within several economic categories. These categories consist of the following:

- The number of unemployed workers
- The unemployment rate
- The number of residents considered economically disadvantaged

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|----------------|------------------|------------------|--------------------|-----------------------|----------------|------------------|------------------|--------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 1,520,603 | | | | | 1,516,330 |
| Vacancy Savings | | | | | (523,066) | | | | | (522,907) |
| Inflation/Deflation | | | | | (31,444) | | | | | (32,399) |
| Fixed Costs | | | | | (70,912) | | | | | (69,714) |
| Total Statewide Present Law Adjustments | | | | | \$895,181 | | | | | \$891,310 |
| DP 6 - Workforce Services Division Operating Adjustments | 0.00 | 0 | 100,587 | 125,547 | 226,134 | 0.00 | 0 | 99,871 | 126,708 | 226,579 |
| DP 7 - Statewide FTE Reduction | (0.25) | (10,640) | 0 | 0 | (10,640) | (0.25) | (10,605) | 0 | 0 | (10,605) |
| DP 11 - Workforce Training/Staffing in Rural Communities | 6.00 | 0 | 772,144 | 0 | 772,144 | 6.00 | 0 | 733,912 | 0 | 733,912 |
| DP 999 - Empowerment Zone | 0.00 | 13,350 | 0 | 0 | 13,350 | 0.00 | 13,350 | 0 | 0 | 13,350 |
| Total Other Present Law Adjustments | 5.75 | \$2,710 | \$872,731 | \$125,547 | \$1,000,988 | 5.75 | \$2,745 | \$833,783 | \$126,708 | \$963,236 |
| Grand Total All Present Law Adjustments | | | | | \$1,896,169 | | | | | \$1,854,546 |

DP 6 - Workforce Services Division Operating Adjustments - The legislature approved an increase in the department's cost allocation plan of \$202,833 in FY 2006 and \$201,003 in FY 2007 and rent increases in the Research and Analysis Bureau of \$23,301 in FY 2006 and \$25,576 in FY 2007.

DP 7 - Statewide FTE Reduction - The legislature approved a reduction of general fund each year to eliminate 0.25 FTE from the division to make permanent a personal services reduction made by the 2003 legislature.

DP 11 - Workforce Training/Staffing in Rural Communities - The legislature approved an additional appropriation from the employment security account (ESA) for additional training and added 6.00 FTE for additional staffing in job service centers located in rural communities throughout Montana.

DP 999 - Empowerment Zone - The legislature approved restoring general fund authority given in the 2003 legislative session under HB 564, which allows a tax credit for businesses that create new jobs within empowerment zones.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|------------------|--------------------|-------------------|-----------------------|------------------|--------------------|--------------------|---------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - General Fund/ESA/Reed Act Funding Switch | | | | | | | | | | |
| 01 | 0.00 | 150,649 | 453,768 | (604,417) | 0 | 0.00 | 150,027 | 454,390 | (604,417) | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 7,195 | 305,997 | 84,223 | 397,415 | 0.00 | 18,110 | 803,005 | 219,196 | 1,040,311 |
| Total | 0.00 | \$157,844 | \$759,765 | (\$520,194) | \$397,415* | 0.00 | \$168,137 | \$1,257,395 | (\$385,221) | \$1,040,311* |

DP 1 - General Fund/ESA/Reed Act Funding Switch - The legislature approved a funding switch from the one-time distribution of Reed act funds to general fund and ESA funds. In the 2003 legislative session, general fund was replaced

with ESA funds and back-filled with Reed act funds in Jobs for Montana Graduates and Displaced Homemakers Programs. The legislature approved funding the Jobs for Montana Graduates with general fund and funded the Displaced Homemaker program with ESA funds.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being used at over 200 sites throughout the state by a wide variety of users including: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, educational and training agencies, and adult education programs.

Proprietary Revenues and Expenses

Revenue comes to MCIS by billing users for the software and licensing.

Proprietary Rate Explanation

The fees charged by MCIS are not to exceed \$1,500 per site. High schools with enrollments over 200, all postsecondary schools, and all agencies and businesses are charged \$1,150 per year. Smaller high schools are charged \$575-\$977 depending on enrollment, and school districts are charged \$2,000 per year. Discounted rates are available for small schools and groups.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 150.50 | 6.00 | 0.00 | 156.50 | 6.00 | 0.00 | 156.50 | 156.50 |
| Personal Services | 4,394,003 | 1,862,001 | 199,670 | 6,455,674 | 1,859,575 | 523,943 | 6,777,521 | 13,233,195 |
| Operating Expenses | 2,491,240 | 731,017 | 0 | 3,222,257 | 713,943 | 0 | 3,205,183 | 6,427,440 |
| Equipment | 7,126 | 0 | 0 | 7,126 | 0 | 0 | 7,126 | 14,252 |
| Benefits & Claims | (265) | 0 | 0 | (265) | 0 | 0 | (265) | (530) |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 3,775 | 0 | 0 | 3,775 | 0 | 0 | 3,775 | 7,550 |
| Total Costs | \$6,895,879 | \$2,593,018 | \$199,670 | \$9,688,567 | \$2,573,518 | \$523,943 | \$9,993,340 | \$19,681,907 |
| State/Other Special | 127,613 | 532,410 | 0 | 660,023 | 532,410 | 0 | 660,023 | 1,320,046 |
| Federal Special | 6,768,266 | 2,060,608 | 199,670 | 9,028,544 | 2,041,108 | 523,943 | 9,333,317 | 18,361,861 |
| Total Funds | \$6,895,879 | \$2,593,018 | \$199,670 | \$9,688,567 | \$2,573,518 | \$523,943 | \$9,993,340 | \$19,681,907 |

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to involuntarily unemployed individuals. The UI Division is organized into four bureaus: UI Contributions, UI Benefits, UI Program Support, and UI Phone Claims. The UI Tax administration was transferred back to the Department of Labor from the Department of Revenue by the 2003 Legislature under SB 271. The Contributions Bureau is responsible for UI tax collection and employer audits. The UI Benefits Bureau is responsible for Trade Readjustment Assistance, military, federal and multi-state claims, benefit payment control, wage revisions, and clerical support. The UI Program Support Bureau manages the information technology systems and infrastructure, the division budget and accounting, and the UI trust fund. They also provide management analysis and research for economic, program management, reporting and legislative purposes, in addition to operating tax and benefit quality control and integrity programs. The UI Phone Claims Bureau has two phone centers (Billings and Helena) for claimants to file unemployment claims, and for employers to make UI related inquiries.

Program Highlights

| Unemployment Insurance Division Major Budget Highlights | |
|--|---|
| ♦ | The primary funding increase completes the transfer of the UI Contribution Bureau from the Department of Revenue |
| ♦ | The remaining increases are primarily due to statewide present law adjustments, funding for the statewide pay plan, and increases in operating costs for the division |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Unemployment Insurance Division | | | | | |
|-----------------|-----------------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 127,613 | 1.9% | \$ 660,023 | 6.8% | \$ 660,023 | 6.6% |
| | 02258 Employment Security Account | 117,917 | 1.7% | 650,327 | 6.7% | 650,327 | 6.5% |
| | 02315 Dli Info Exchange/Rental | 9,696 | 0.1% | 9,696 | 0.1% | 9,696 | 0.1% |
| 03000 | Total Federal Special Funds | 6,768,266 | 98.1% | 9,028,544 | 93.2% | 9,333,317 | 93.4% |
| | 03277 U.I. Penalty & Interest | 80,658 | 1.2% | - | - | - | - |
| | 03278 Ui Penalty & Interest | - | - | 80,658 | 0.8% | 80,658 | 0.8% |
| | 03944 Ui Supplemental Grants | 22,985 | 0.3% | - | - | - | - |
| | 03954 Ui Administrative Grants | 6,664,623 | 96.6% | 8,947,886 | 92.4% | 9,252,659 | 92.6% |
| Grand Total | | \$ 6,895,879 | 100.0% | \$ 9,688,567 | 100.0% | \$ 9,993,340 | 100.0% |

The Unemployment Insurance Division (UI) is funded with state special and federal special revenue. State special revenue consists of the employment security account (ESA) and information exchange/rental funds. Federal special revenue is derived from UI administrative grants and UI penalty and interest.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 1,824,946 | | | | | 1,822,877 |
| Vacancy Savings | | | | (248,759) | | | | | (248,675) |
| Inflation/Deflation | | | | (8,404) | | | | | (8,582) |
| Fixed Costs | | | | 34,830 | | | | | 35,368 |
| Total Statewide Present Law Adjustments | | | | \$1,602,613 | | | | | \$1,600,988 |
| DP 5 - Transfer UI Contributions Bureau from DOR to DLI | | | | | | | | | |
| 3.00 | 0 | 532,410 | 298,803 | 831,213 | 3.00 | 0 | 532,410 | 298,237 | 830,647 |
| DP 7 - Unemployment Insurance Division Budget Adjustments | | | | | | | | | |
| 3.00 | 0 | 0 | 141,942 | 141,942 | 3.00 | 0 | 0 | 141,883 | 141,883 |
| DP 8 - SUTA Dumping - Programming Changes - OTO | | | | | | | | | |
| 0.00 | 0 | 0 | 17,250 | 17,250 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 6.00 | \$0 | \$532,410 | \$457,995 | \$990,405 | 6.00 | \$0 | \$532,410 | \$440,120 | \$972,530 |
| Grand Total All Present Law Adjustments | | | | \$2,593,018 | | | | | \$2,573,518 |

DP 5 - Transfer UI Contributions Bureau from DOR to DLI - The legislature approved additional state special revenue from the ESA and federal special revenue from UI administrative grants to complete the transfer of the Contributions Bureau from the Department of Revenue. The increases include the following:

- o Increased expenditures for 6 leased vehicles for field auditors at \$32,175 per year
- o Indirect costs of \$152,585 in FY 2006 and \$152,415 in FY 2007 to support centralized services in the Department of Labor and Industry
- o Funding for 3.00 additional FTE: 1) 1.00 FTE for computer support for the transferred UI staff; and 2) 2.00 FTE for ongoing programming on the MAC UI tax system. Total personal services costs are \$166,913 in FY 2006 and \$167,517 in FY 2007

- Computer processing and telephone charges from the Department of Administration of \$295,000 per year.
- Rental of non-state building of \$80,000 per year
- Printing, photocopying, postage, and miscellaneous office expenditures of \$79,500 per year

DP 7 - Unemployment Insurance Division Budget Adjustments - The legislature approved additional federal funding authority from UI administrative grants for the following:

- Restoration of per diem for the Board of Labor Appeals for \$8,000 a year. The per diem request equals the base year expenditure
- Indirect costs of \$38,041 in FY 2006 and \$38,027 in FY 2007
- Funding for 2.00 FTE in the claims processing center to serve as customer service representatives, and additional funding for 1.00 FTE as a collection technician; total funding costs approximately \$95,000 per year

DP 8 - SUTA Dumping - Programming Changes - OTO - The legislature appropriated federal special revenue to implement HB 159, which revises unemployment insurance and state unemployment tax (SUTA) dumping laws.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|---------------|------------------|-------------------|-------------|--------------|---------------|------------------|-------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 02 | 0.00 | 0 | 0 | 199,670 | 199,670 | 0.00 | 0 | 0 | 523,943 | 523,943 |
| Total | 0.00 | \$0 | \$0 | \$199,670 | \$199,670* | 0.00 | \$0 | \$0 | \$523,943 | \$523,943* |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The Department of Labor and Industry (DLI) collects the contributions paid by employers, based on their industry or individual experience rate, to pay for unemployment insurance. DLI expends the funds by paying unemployment insurance benefit claims.

Proprietary Revenues and Expenses

The revenues received in the proprietary fund are for the Unemployment Insurance Program tax collections, federal reimbursement for claims on federal employees, military personnel, and claimants in other states, and interest earnings to the unemployment insurance trust fund. The expenditures are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to have taken out of the benefit check.

Proprietary Rate Explanation

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions, based upon past claim history, from employers that are then used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 20.00 | 0.00 | 0.00 | 20.00 | 0.00 | 0.00 | 20.00 | 20.00 |
| Personal Services | 976,246 | 241,151 | 34,713 | 1,252,110 | 240,592 | 89,240 | 1,306,078 | 2,558,188 |
| Operating Expenses | 247,942 | 32,590 | 0 | 280,532 | 34,326 | 0 | 282,268 | 562,800 |
| Total Costs | \$1,224,188 | \$273,741 | \$34,713 | \$1,532,642 | \$274,918 | \$89,240 | \$1,588,346 | \$3,120,988 |
| General Fund | 115,598 | 22,348 | 61,283 | 199,229 | 22,075 | 69,066 | 206,739 | 405,968 |
| State/Other Special | 648,139 | 170,080 | (38,497) | 779,722 | 170,563 | (10,618) | 808,084 | 1,587,806 |
| Federal Special | 399,499 | 62,058 | 10,007 | 471,564 | 63,884 | 25,886 | 489,269 | 960,833 |
| Proprietary | 60,952 | 19,255 | 1,920 | 82,127 | 18,396 | 4,906 | 84,254 | 166,381 |
| Total Funds | \$1,224,188 | \$273,741 | \$34,713 | \$1,532,642 | \$274,918 | \$89,240 | \$1,588,346 | \$3,120,988 |

Program Description

The Commissioner's Office and the Legal and Centralized Services Division (CSD) provide program direction, legal, administration, and support services to the department. Legal and Centralized Services provides the central support functions of the department through five bureaus: 1) Fiscal Support; 2) Technical Services; 3) Human Resources; 4) Hearings; and 5) Legal Services.

Program Highlights

| Commissioner's Office/Central Services Division | |
|---|---|
| Major Budget Highlights | |
| ♦ | The funding associated with the Human Rights Program is replaced with general fund from the employment security account |
| ♦ | The remaining increases are primarily due to statewide present law adjustments, funding for the statewide pay plan, and increases in operating costs for the division |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Commissioner's Office/CSD | | | | | |
|-----------------|-------------------------------------|--|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 115,598 | 9.4% | \$ 199,229 | 13.0% | \$ 206,739 | 13.0% |
| | 01100 General Fund | 115,598 | 9.4% | 199,229 | 13.0% | 206,739 | 13.0% |
| 02000 | Total State Special Funds | 648,139 | 52.9% | 779,722 | 50.9% | 808,084 | 50.9% |
| | 02258 Employment Security Account | 203,611 | 16.6% | 203,827 | 13.3% | 211,828 | 13.3% |
| | 02315 Dli Info Exchange/Rental | 1,546 | 0.1% | 1,546 | 0.1% | 1,546 | 0.1% |
| | 02448 Building Codes State Spec Rev | 76,763 | 6.3% | 97,029 | 6.3% | 102,971 | 6.5% |
| | 02455 Workers' Comp Regulation | 153,116 | 12.5% | 196,092 | 12.8% | 205,926 | 13.0% |
| | 02824 Board Of Medical Examiners | 67,451 | 5.5% | 82,828 | 5.4% | 77,942 | 4.9% |
| | 02833 Board Of Nursing | 71,008 | 5.8% | 97,030 | 6.3% | 102,276 | 6.4% |
| | 02941 Uninsured Employer Fund | 74,644 | 6.1% | 101,370 | 6.6% | 105,595 | 6.6% |
| 03000 | Total Federal Special Funds | 399,499 | 32.6% | 471,564 | 30.8% | 489,269 | 30.8% |
| | 03122 Eeoc | 16,251 | 1.3% | 20,775 | 1.4% | 21,488 | 1.4% |
| | 03954 Ui Administrative Grants | 383,248 | 31.3% | 450,789 | 29.4% | 467,781 | 29.5% |
| 06000 | Total Proprietary Funds | 60,952 | 5.0% | 82,127 | 5.4% | 84,254 | 5.3% |
| | 06546 Commissioner'S Office/Csd | 60,952 | 5.0% | 82,127 | 5.4% | 84,254 | 5.3% |
| Grand Total | | <u>\$ 1,224,188</u> | <u>100.0%</u> | <u>\$ 1,532,642</u> | <u>100.0%</u> | <u>\$ 1,588,346</u> | <u>100.0%</u> |

The Commissioner's Office and Legal and Centralized Services Division are funded from the following sources:

- General fund accounts for 13 percent of division funding, and is used for expenditures associated with Centralized Services Division support of the Human Rights Bureau in the Employment Relations Division. This function was funded with ESA funds in the 2005 biennium
- State special revenue comprises 51 percent of funding and is a mixture of employment security account (ESA), Building Codes Bureau, workers' comp regulation, Board of Medical Examiners, Board of Nursing, and the uninsured employer fund
- Federal special revenue accounts for 31 percent of funding and is derived from the UI administration grants and the Equal Employment Opportunity Commission
- Proprietary funding from the department's internal cost allocation plan accounts for 5 percent of the department's funding

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|----------------|-----------------|-----------------|-------------------|-----------------------|----------------|-----------------|-----------------|-------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 291,874 | | | | | 291,296 |
| Vacancy Savings | | | | | (50,723) | | | | | (50,704) |
| Inflation/Deflation | | | | | (2,307) | | | | | (2,295) |
| Fixed Costs | | | | | 6,877 | | | | | 7,266 |
| Total Statewide Present Law Adjustments | | | | | \$245,721 | | | | | \$245,563 |
| DP 8 - Commissioner's Office/CSD - Base Adjustment | 0.00 | 2,454 | 18,738 | 5,565 | 28,020* | 0.00 | 2,698 | 18,959 | 6,266 | 29,355* |
| Total Other Present Law Adjustments | 0.00 | \$2,454 | \$18,738 | \$5,565 | \$28,020* | 0.00 | \$2,698 | \$18,959 | \$6,266 | \$29,355* |
| Grand Total All Present Law Adjustments | | | | | \$273,741* | | | | | \$274,918* |

DP 8 - Commissioner's Office/CSD - Base Adjustment - The legislature approved additional funding for an increase in indirect costs to support the Centralized Services Division. The funding sources include general fund, state special revenues, federal special revenues, and proprietary funding.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|-------------------|-----------------|------------------|-----------------------|-----------------|-------------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 3 - General Fund/ESA Fund Switch | | | | | | | | | | |
| 03 | 0.00 | 56,194 | (56,194) | 0 | 0 | 0.00 | 56,102 | (56,102) | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 03 | 0.00 | 5,089 | 17,697 | 10,007 | 34,713* | 0.00 | 12,964 | 45,484 | 25,886 | 89,240* |
| Total | 0.00 | \$61,283 | (\$38,497) | \$10,007 | \$34,713* | 0.00 | \$69,066 | (\$10,618) | \$25,886 | \$89,240* |

DP 3 - General Fund/ESA Fund Switch - The legislature approved restoring general fund of approximately \$56,000 each year to the Human Rights Bureau. General fund was replaced in the 2003 Legislative session with ESA funding as a one-time only funding switch in the Human Rights Bureau.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

Cost allocation plan (CAP) - The Commissioner's Office and Centralized Services Division are funded through a cost allocation plan under which the other divisions in the department are assessed a percentage of their personal services costs to support centralized functions.

Technical Services Bureau - The bureau recovers costs for services to provide traffic control of data input, jobs for the mainframe computer system, and report output.

Hearings Bureau - The bureau is responsible for providing administrative hearings to the Business Standards Division's boards and the Building Codes Bureau.

Proprietary Revenues and Expenses

The goal of the program is to assess costs of centralized functions equitably to all divisions to keep fees commensurate with costs while maintaining a 60-day working capital.

Proprietary Rate Explanation

The CAP rate is determined by dividing projected non-CAP personal services expenditures by the projected costs of providing centralized services.

Technical Services Bureau - Users are directly charged for the services received and are billed quarterly. Charges are estimated during the budget submission process, and actual costs incurred are charges to the appropriate division/bureau.

Hearings Bureau - Attorneys and legal assistants charge their time based on hourly rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 116.50 | 5.85 | 0.00 | 122.35 | 5.85 | 0.00 | 122.35 | 122.35 |
| Personal Services | 5,271,367 | 412,713 | 171,671 | 5,855,751 | 409,246 | 446,721 | 6,127,334 | 11,983,085 |
| Operating Expenses | 2,396,068 | 673,840 | 0 | 3,069,908 | 625,221 | 0 | 3,021,289 | 6,091,197 |
| Equipment | 28,281 | 0 | 0 | 28,281 | 0 | 0 | 28,281 | 56,562 |
| Benefits & Claims | 187,064 | 0 | 0 | 187,064 | 0 | 0 | 187,064 | 374,128 |
| Total Costs | \$7,882,780 | \$1,086,553 | \$171,671 | \$9,141,004 | \$1,034,467 | \$446,721 | \$9,363,968 | \$18,504,972 |
| General Fund | 652,774 | 10,579 | 209,191 | 872,544 | 12,192 | 232,245 | 897,211 | 1,769,755 |
| State/Other Special | 6,599,569 | 1,070,499 | (50,860) | 7,619,208 | 1,014,642 | 179,777 | 7,793,988 | 15,413,196 |
| Federal Special | 630,437 | 5,475 | 13,340 | 649,252 | 7,633 | 34,699 | 672,769 | 1,322,021 |
| Total Funds | \$7,882,780 | \$1,086,553 | \$171,671 | \$9,141,004 | \$1,034,467 | \$446,721 | \$9,363,968 | \$18,504,972 |

Program Description

The Employment Relations Division (ERD) provides five service areas:

- The Workers' Compensation (WC) Regulation Bureau regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions
- The WC Claims Assistance Bureau assists organizations and individuals to arrive at early, less expensive settlements of their disputes and provides management information on the workers' compensation system
- The Labor Standards Bureau (and administratively attached Board of Personnel Appeals) enforces state and federal labor laws related to the payment of wages, and provides collective bargaining mediation
- The Safety Bureau administers federal and state industrial safety laws
- The Human Rights Bureau (and administratively attached Human Rights Commission) enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education

Program Highlights

| Employment Relations Division | |
|-------------------------------|---|
| Major Budget Highlights | |
| ◆ | A portion of the funding associated with the Human Rights Program is replaced with general fund from the employment security account |
| ◆ | The primary funding increase is due to the implementation of HB 108 which revises the requirements for independent contractor registration |
| ◆ | The remaining increases are primarily due to statewide present law adjustments, funding for the statewide pay plan, and increases in operating costs for the division |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Employment Relations Division | | | | | |
|-----------------|-----------------------------------|--|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 652,774 | 8.3% | \$ 872,544 | 9.5% | \$ 897,211 | 9.6% |
| | 01100 General Fund | 652,774 | 8.3% | 872,544 | 9.5% | 897,211 | 9.6% |
| 02000 | Total State Special Funds | 6,599,569 | 83.7% | 7,619,208 | 83.4% | 7,793,988 | 83.2% |
| | 02236 Industrial Accident Rehab | 42,673 | 0.5% | 20,582 | 0.2% | 18,631 | 0.2% |
| | 02258 Employment Security Account | 1,063,291 | 13.5% | 979,849 | 10.7% | 1,016,590 | 10.9% |
| | 02263 Subsequent Injury Admin | 30,361 | 0.4% | 31,504 | 0.3% | 33,062 | 0.4% |
| | 02315 Dli Info Exchange/Rental | 8,801 | 0.1% | - | - | - | - |
| | 02346 Contractor Registration | 319,488 | 4.1% | 1,142,890 | 12.5% | 1,132,615 | 12.1% |
| | 02455 Workers' Comp Regulation | 4,325,739 | 54.9% | 4,511,882 | 49.4% | 4,641,060 | 49.6% |
| | 02941 Uninsured Employer Fund | 809,216 | 10.3% | 932,501 | 10.2% | 952,030 | 10.2% |
| 03000 | Total Federal Special Funds | 630,437 | 8.0% | 649,252 | 7.1% | 672,769 | 7.2% |
| | 03122 Eeoc | 97,363 | 1.2% | 105,638 | 1.2% | 109,282 | 1.2% |
| | 03130 Coal Mine Safety | 119,598 | 1.5% | 121,791 | 1.3% | 125,848 | 1.3% |
| | 03195 On-Site Consultation | 413,476 | 5.2% | 421,823 | 4.6% | 437,639 | 4.7% |
| Grand Total | | <u>\$ 7,882,780</u> | <u>100.0%</u> | <u>\$ 9,141,004</u> | <u>100.0%</u> | <u>\$ 9,363,968</u> | <u>100.0%</u> |

The five Employment Relations Division (ERD) services areas are funded with several sources of funds:

- General fund supports a portion of the Human Rights Bureau and the Silicosis and Social Security Benefit program, accounting for 9.5 percent of division funding
- State special revenue funds account for 83 percent of total funding within the division, being comprised of: industrial accident rehab; employment security account; uninsured employer fund; workers' comp regulation; and fees paid for the independent contractor exemption and contractor registration
- Federal funding comprises 7.5 percent of total funding for the division and is derived from coal mine safety, on-site consultation, and the equal employment opportunity account
- Proprietary funds from the subsequent injury account provide benefits to assist disabled individuals in becoming employed by offering financial incentives to those employers who hire them and account for less than 1 percent of total funding for ERD

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 361,661 | | | | | 358,827 |
| Vacancy Savings | | | | | (225,324) | | | | | (225,205) |
| Inflation/Deflation | | | | | (35,158) | | | | | (34,566) |
| Fixed Costs | | | | | (32,511) | | | | | (31,379) |
| Total Statewide Present Law Adjustments | | | | | \$68,668 | | | | | \$67,677 |
| DP 1 - Statewide FTE Reduction | | | | | | | | | | |
| | (0.15) | (8,492) | 0 | 0 | (8,492) | (0.15) | (8,464) | 0 | 0 | (8,464) |
| DP 3 - Independent Contractor Registration Revisions | | | | | | | | | | |
| | 6.00 | 0 | 812,490 | 0 | 812,490 | 6.00 | 0 | 792,954 | 0 | 792,954 |
| DP 9 - Employment Relations Div - Base Adjustment | | | | | | | | | | |
| | 0.00 | 5,053 | 149,932 | 8,902 | 163,887 | 0.00 | 6,723 | 165,628 | 9,949 | 182,300 |
| DP 10 - One-Time-Only contract with INGENIX | | | | | | | | | | |
| | 0.00 | 0 | 50,000 | 0 | 50,000 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 5.85 | (\$3,439) | \$1,012,422 | \$8,902 | \$1,017,885 | 5.85 | (\$1,741) | \$958,582 | \$9,949 | \$966,790 |
| Grand Total All Present Law Adjustments | | | | | \$1,086,553 | | | | | \$1,034,467 |

DP 1 - Statewide FTE Reduction - The legislature approved a reduction of general fund each year to eliminate 0.15 FTE from the division to make permanent a personal services reduction made by the 2003 Legislature.

DP 3 - Independent Contractor Registration Revisions - The legislature appropriated additional state special revenue for revising requirements for independent contractor registration. This appropriation will implement HB 108.

DP 9 - Employment Relations Div - Base Adjustment - The legislature approved a mixture of general fund, state special revenue, and federal special revenue authority for the following:

- o Restoring of per diem expenses for two boards (Board of Personnel Appeals and Human Rights Commission) for \$12,600 per year.
- o Funding authority increases for the agency's indirect cost allocation plan of \$45,189 in FY 2006, and \$60,122 in FY 2007
- o Debt collection cost for the uninsured employers' fund (UEF) of \$100,000 per year; funding is from the UEF

DP 10 - One-Time-Only contract with INGENIX - The legislature approved a one-time-only appropriation of \$50,000 from the workers' comp regulation fund in FY 2006 to update a new medical fee schedule, which is used as the basis for Medicare and Medicaid reimbursements.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 2 - General Fund/ESA Fund Switch | | | | | | | | | | |
| 04 | 0.00 | 193,506 | (193,506) | 0 | 0 | 0.00 | 192,090 | (192,090) | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 04 | 0.00 | 15,685 | 142,646 | 13,340 | 171,671 | 0.00 | 40,155 | 371,867 | 34,699 | 446,721 |
| Total | 0.00 | \$209,191 | (\$50,860) | \$13,340 | \$171,671* | 0.00 | \$232,245 | \$179,777 | \$34,699 | \$446,721* |

DP 2 - General Fund/ESA Fund Switch - The legislature approved restoring general fund for the Human Rights Bureau. General fund was replaced with state special revenue (employment security account) in the 2003 legislative session as a one-time-only funding switch in the Human Rights Bureau.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates

Proprietary Program Description

The subsequent injury fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by the employee's workers' compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana workers' compensation insurers, including self-insured employers, private insurers, and the state fund. The asset balance is maintained at approximately \$1,700,000 to provide an operating balance for payment of benefits and administrative costs.

Proprietary Revenues and Expenses

Beginning July 1, 1999, the fund is maintained by an annual assessment on all workers' compensation policyholders, which is collected by all Montana workers' compensation insurers. The assessment is statutorily set (Title 39-71-915 MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among plan 1, plan 2, and plan 3 insurers based on their compensation and medical payments for the previous calendar year. Thus, any rate beyond one year into the future is an unknown, and based solely on the insured's current year's use.

Proprietary Rate Explanation

The assessment for the subsequent injury fund is allocated among insurers based on their compensation and medical payments for the previous calendar year per 39-71-915, MCA.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|---------------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 109.03 | 0.50 | 0.00 | 109.53 | 0.50 | 0.00 | 109.53 | 109.53 |
| Personal Services | 4,528,538 | 548,053 | 146,641 | 5,223,232 | 554,831 | 383,462 | 5,466,831 | 10,690,063 |
| Operating Expenses | 5,295,151 | 1,266,098 | 0 | 6,561,249 | 1,268,758 | 0 | 6,563,909 | 13,125,158 |
| Equipment | 243,845 | 39,000 | 0 | 282,845 | 35,000 | 0 | 278,845 | 561,690 |
| Grants | 9,519 | 0 | 0 | 9,519 | 0 | 0 | 9,519 | 19,038 |
| Benefits & Claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$10,077,053 | \$1,853,151 | \$146,641 | \$12,076,845 | \$1,858,589 | \$383,462 | \$12,319,104 | \$24,395,949 |
| State/Other Special Proprietary | 10,076,960 93 | 1,853,244 (93) | 146,641 0 | 12,076,845 0 | 1,858,682 (93) | 383,462 0 | 12,319,104 0 | 24,395,949 0 |
| Total Funds | \$10,077,053 | \$1,853,151 | \$146,641 | \$12,076,845 | \$1,858,589 | \$383,462 | \$12,319,104 | \$24,395,949 |

Program Description

The Business Standards Division consists of four bureaus:

- The Building Codes Bureau (BCB) establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator and boiler codes for use throughout Montana, including factory-built buildings and approves and certifies local government code enforcement programs to utilize codes adopted by the bureau. The BCB also assists the Board of Plumbers and State Electrical Board with license law enforcement by checking for proper licensing when inspecting projects for code compliance
- The Weights & Measures Bureau (WMB) is responsible for licensing, inspecting, testing and certifying all weighing and measuring devices used in making commercial transactions in Montana. The WMB also enforces laws and regulations pertaining to the quality control of prepackaged goods, the quality control of petroleum products, and responsibility for maintaining the state standards of mass and volume, applied when calibrating other mass and volume standards, used in testing commercial devices
- The Health Care Licensing Bureau (HCLB) provides administrative, clerical and compliance support for 19 licensing boards and one program, which licenses professionals and individuals working in the health care field. The licensing boards and program in HCLB include 118 board members and 6 advisory counsel members appointed by the Governor
- The Business & Occupational Licensing Bureau (BOLB) provides administrative, clerical, and compliance support for 13 licensing boards and four licensing programs that license professionals and individuals working in non-health-care-related professions and occupations.

Program Highlights

| Business Standards Division Major Budget Highlights | |
|--|--|
| ◆ | Increases in funding are primarily due to statewide present law adjustments, funding of the statewide pay plan, and increases in operating costs for the four different bureaus |
| ◆ | The legislature approved funding for a new board for Adolescent Residential or Outdoor Programs and prescribed an origin placard on specific commodities offered for sale in Montana |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Business Standards Division | | | | | | | |
|--|---|----------------------|-------------------|------------------------|-------------------|------------------------|--------|
| Program Funding | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 | |
| 02000 | Total State Special Funds | \$ 10,076,960 | 100.0% | \$ 12,076,845 | 100.0% | \$ 12,319,104 | 100.0% |
| | 02034 Earmarked Alcohol Funds | 25,243 | 0.3% | 35,905 | 0.3% | 35,466 | 0.3% |
| | 02078 Occupational Therapists | 34,565 | 0.3% | 43,224 | 0.4% | 43,547 | 0.4% |
| | 02079 Fire Protection & Permitting | 26,924 | 0.3% | 22,109 | 0.2% | 19,013 | 0.2% |
| | 02109 Board Of Outfitters | 418,559 | 4.2% | 424,983 | 3.5% | 434,980 | 3.5% |
| | 02155 Boiler,Blasters,Crane Licensing | 191,109 | 1.9% | 215,020 | 1.8% | 218,064 | 1.8% |
| | 02160 Legal Contingency Fund | - | - | 70,000 | 0.6% | 70,000 | 0.6% |
| | 02359 Chemical Dependency Counselors | 73,185 | 0.7% | 51,214 | 0.4% | 52,931 | 0.4% |
| | 02446 Board Of Psychologist Exam | 66,902 | 0.7% | 67,642 | 0.6% | 68,267 | 0.6% |
| | 02448 Building Codes State Spec Rev | 3,798,238 | 37.7% | 4,308,297 | 35.7% | 4,403,423 | 35.7% |
| | 02764 Bd Of Adolescent Res. Or Outdr Pgms | - | - | 21,745 | 0.2% | 20,905 | 0.2% |
| | 02767 Elevators | - | - | 14,138 | 0.1% | 10,150 | 0.1% |
| | 02805 Weights & Measures Bureau | 730,464 | 7.2% | 880,678 | 7.3% | 905,909 | 7.4% |
| | 02808 Board Of Landscape Architects | 55,825 | 0.6% | 63,418 | 0.5% | 64,773 | 0.5% |
| | 02809 Board Of Speech Pathologists | 31,368 | 0.3% | 40,186 | 0.3% | 40,902 | 0.3% |
| | 02810 Bd Of Radiologic Technologists | 65,725 | 0.7% | 93,007 | 0.8% | 94,504 | 0.8% |
| | 02811 Clinical Lab Science Pract. | 39,796 | 0.4% | 65,553 | 0.5% | 66,035 | 0.5% |
| | 02812 Physical Therapists | 36,332 | 0.4% | 92,652 | 0.8% | 94,695 | 0.8% |
| | 02813 Bd Of Nursing Home Admin | 41,776 | 0.4% | 61,191 | 0.5% | 62,336 | 0.5% |
| | 02814 Bd Of Hearing Aid Dispensers | 31,381 | 0.3% | 39,631 | 0.3% | 40,395 | 0.3% |
| | 02815 Board Of Public Accountants | 292,073 | 2.9% | 335,357 | 2.8% | 341,347 | 2.8% |
| | 02816 Board Of Sanitarians | 11,488 | 0.1% | 22,897 | 0.2% | 21,377 | 0.2% |
| | 02818 Electrical Board | 250,027 | 2.5% | 287,918 | 2.4% | 293,270 | 2.4% |
| | 02819 Board Of Realty Regulations | 505,806 | 5.0% | 638,230 | 5.3% | 650,793 | 5.3% |
| | 02820 Board Of Architects | 88,933 | 0.9% | 112,064 | 0.9% | 112,814 | 0.9% |
| | 02821 Board Of Funeral Service | 53,477 | 0.5% | 69,184 | 0.6% | 69,493 | 0.6% |
| | 02822 Board Of Chiropractors | 64,695 | 0.6% | 83,576 | 0.7% | 84,595 | 0.7% |
| | 02823 Professional Engineers | 271,094 | 2.7% | 291,274 | 2.4% | 294,977 | 2.4% |
| | 02824 Board Of Medical Examiners | 619,876 | 6.2% | 751,579 | 6.2% | 764,562 | 6.2% |
| | 02826 Cosmetology Board | 375,900 | 3.7% | 429,614 | 3.6% | 438,533 | 3.6% |
| | 02828 Board Of Plumbers | 151,607 | 1.5% | 183,498 | 1.5% | 186,646 | 1.5% |
| | 02829 Private Investigator | 96,275 | 1.0% | 126,138 | 1.0% | 128,480 | 1.0% |
| | 02830 Board Of Dentistry | 171,226 | 1.7% | 172,163 | 1.4% | 174,293 | 1.4% |
| | 02831 Board Of Optometrists | 37,650 | 0.4% | 50,493 | 0.4% | 50,273 | 0.4% |
| | 02832 Board Of Pharmacy | 313,557 | 3.1% | 498,638 | 4.1% | 513,396 | 4.2% |
| | 02833 Board Of Nursing | 681,867 | 6.8% | 853,701 | 7.1% | 876,045 | 7.1% |
| | 02834 Board Of Veterinarians | 52,702 | 0.5% | 118,052 | 1.0% | 120,524 | 1.0% |
| | 02835 Board Of Barbers | 16,984 | 0.2% | - | - | - | - |
| | 02840 Board Of Social Workers | 100,068 | 1.0% | 107,597 | 0.9% | 108,979 | 0.9% |
| | 02841 Board Of Athletics | 57,952 | 0.6% | 90,032 | 0.7% | 94,749 | 0.8% |
| | 02852 Bd. Of Alternative Health Care | 31,780 | 0.3% | 53,513 | 0.4% | 54,143 | 0.4% |
| | 02854 Bd. Of Real Estate Appraisers | 140,122 | 1.4% | 153,545 | 1.3% | 155,728 | 1.3% |
| | 02855 Bd Of Respiratory Care | 24,409 | 0.2% | 37,189 | 0.3% | 37,792 | 0.3% |
| 06000 | Total Proprietary Funds | 93 | 0.0% | - | - | - | - |
| | 06552 Admin Services | 93 | 0.0% | - | - | - | - |
| Grand Total | | \$ 10,077,053 | 100.0% | \$ 12,076,845 | 100.0% | \$ 12,319,104 | 100.0% |

The Business Standards Division is funded exclusively with state special revenue.

- o Building Codes Bureau, which is funded from inspection fees deposited into the building codes state special revenue fund
- o Weights and Measures Bureau, which derives revenue primarily from annual license fees levied against all commercial weighing or measuring devices, including scales and gas pumps certified by the bureau

- Health Care Licensing Bureau, which is funded with state special revenue from the licensing boards and programs it oversees
- Business and Occupational Licensing Bureau, which is funded with state special revenue from the licensing boards and programs it oversees

The proprietary funds are based on legislatively approved rates, and are not appropriated in HB 2. Therefore, they are not shown in the table.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|--------------------|-----------------------|--------------|---------------|-----------------|--------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 578,791 | | | | | 581,563 |
| Vacancy Savings | | | | (204,291) | | | | | (204,399) |
| Inflation/Deflation | | | | (18,267) | | | | | (18,144) |
| Fixed Costs | | | | 8,472 | | | | | 15,910 |
| Total Statewide Present Law Adjustments | | | | \$364,705 | | | | | \$374,930 |
| DP 10 - Adolescent Residential or Outdoor Program Board | | | | | | | | | |
| 0.00 | 0 | 21,745 | 0 | 21,745 | 0.00 | 0 | 20,905 | 0 | 20,905 |
| DP 11 - Health Care Licensing Bureau - Base Adj. | | | | | | | | | |
| 0.00 | 0 | 585,929 | 0 | 585,929 | 0.00 | 0 | 613,901 | 0 | 613,901 |
| DP 12 - Business & Occupational Licensing Bureau-Base Adj. | | | | | | | | | |
| 0.00 | 0 | 464,011 | 0 | 464,011 | 0.00 | 0 | 478,897 | 0 | 478,897 |
| DP 13 - Building Codes Bureau - Base Adj. | | | | | | | | | |
| 0.00 | 0 | 137,181 | 0 | 137,181 | 0.00 | 0 | 157,210 | 0 | 157,210 |
| DP 14 - Weights & Measures Bureau - Base Adj. | | | | | | | | | |
| 0.00 | 0 | 81,556 | 0 | 81,556 | 0.00 | 0 | 79,812 | 0 | 79,812 |
| DP 18 - Legal Contingency Fund | | | | | | | | | |
| 0.00 | 0 | 70,000 | 0 | 70,000 | 0.00 | 0 | 70,000 | 0 | 70,000 |
| DP 30 - Occupational Board Increases | | | | | | | | | |
| 0.00 | 0 | 26,000 | 0 | 26,000 | 0.00 | 0 | 26,000 | 0 | 26,000 |
| DP 113 - Country of Origin Placarding | | | | | | | | | |
| 0.50 | 0 | 26,784 | 0 | 26,784 | 0.50 | 0 | 26,784 | 0 | 26,784 |
| DP 115 - Business & Occupational Licensing Regulation | | | | | | | | | |
| 0.00 | 0 | 75,240 | 0 | 75,240 | 0.00 | 0 | 10,150 | 0 | 10,150 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.50 | \$0 | \$1,488,446 | \$0 | \$1,488,446 | 0.50 | \$0 | \$1,483,659 | \$0 | \$1,483,659 |
| Grand Total All Present Law Adjustments | | | | \$1,853,151 | | | | | \$1,858,589 |

DP 10 - Adolescent Residential or Outdoor Program Board - The legislature appropriated \$21,745 of state special revenue in FY 2006 and \$20,905 of state special revenue in FY 2007 to implement HB 628. This bill creates a 5-member board of Private Alternative Adolescent Residential or Outdoor Program.

DP 11 - Health Care Licensing Bureau - Base Adj. - The legislature approved additional increases in state special revenue authority for the following items:

- Restore per diem of \$86,800 in FY 2006 and \$89,500 in FY 2007
- Add indirect costs and recharges of \$289,425 in FY 2006 and \$328,635 in FY 2007 to support the Centralized Services Division
- Increases in contracted professional services of \$105,240 in FY 2006 and \$102,302 in FY 2007
- Provide additional travel for board members of \$76,228 per year

DP 12 - Business & Occupational Licensing Bureau-Base Adj. - The legislature approved additional increases in state special revenue authority for the following items:

- o Restoration of per diem of \$46,050 in FY 2006 and \$47,500 in FY 2007
- o Additional indirect costs and recharges of \$291,025 in FY 2006 and \$321,610 in FY 2007 to support Centralized Services Division
- o Restore overtime of \$16,530 per year
- o Additional travel for board members of \$37,580 per year
- o Contracted professional services of \$40,646 in FY 2006 and \$41,147 in FY 2007

DP 13 - Building Codes Bureau - Base Adj. - The legislature approved additional state special revenue authority from the building codes fund account for the following items:

- o Indirect costs and recharges of \$72,008 in FY 2006 and \$90,537 in FY 2007
- o Information technology increases in the server database of \$16,000 per year, and connectivity charges for bureau staff of \$20,175 per year
- o Lodging, meals, and gasoline for \$27,498 a year

DP 14 - Weights & Measures Bureau - Base Adj. - The legislature approved additional state special revenue from the weights and measures fund account for the following items:

- o Indirect costs and recharges of \$12,655 in FY 2006 and \$14,250 in FY 2007
- o Building lease for the Weights and Measures Lab for \$16,173 in FY 2006 and \$16,834 in FY 2007
- o Purchase of one pickup truck in FY 2006 for \$23,000 and two van bodies for \$16,000. In FY 2007 replacement of one service truck, van body, hoist, and weight carts for \$35,000

DP 18 - Legal Contingency Fund - The legislature approved reestablishing the legal contingency fund for \$70,000 each year for the Business and Occupational and Health Care Licensing Bureaus.

DP 30 - Occupational Board Increases - The legislature appropriated additional state special revenue for additional board members for the Board of Athletics and the Board of Public Accountants.

DP 113 - Country of Origin Placarding - The legislature appropriated state special revenue to implement country of origin placarding prescribed in HB 406. Origin placarding will require a country of origin placard on specific commodities offered for sale in Montana.

DP 115 - Business & Occupational Licensing Regulation - The legislature appropriated additional state special revenue for new regulations and licensure requirements for elevator contractors, mechanics, and inspectors.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|------------------|-----------------|-------------------|-------------|--------------|------------------|-----------------|-------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 05 | 0.00 | 0 | 146,641 | 0 | 146,641 | 0.00 | 0 | 383,462 | 0 | 383,462 |
| Total | 0.00 | \$0 | \$146,641 | \$0 | \$146,641* | 0.00 | \$0 | \$383,462 | \$0 | \$383,462* |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Proprietary Rates**Proprietary Program Description**

The Business Standards Division maintains an internal service fund to provide administrative and support services to its 4 bureaus and 34 boards. Common costs of operation, including a 60-day working capital, are assessed through recharges to the various state special revenue accounts on an equitable basis.

Proprietary Revenues and Expenses

Division level operating costs are assessed to the four bureaus on an FTE basis, with assessments as follows: Building Codes Bureau – 44.8 percent, Weights and Measures Bureau – 8.2 percent, Health Care Licensing Bureau – 22.4 percent, and Business and Occupational Licensing Bureau – 24.6 percent. The division level, bureau level, and legal services operating costs assessments for HCLB & BOLB are passed through to the boards and programs located in each bureau on the basis of board/program-direct allocation of FTE. The boards listed by bureau are as follows:

HCLB

Bd. of Chiropractors
 Bd. of Dentistry
 Bd. of Hearing Aid Dispensers
 Bd. of Respiratory Care Practice
 Bd. of Alternative Health Care
 Bd. of Medical Examiners
 Bd. of Funeral Services
 Bd. of Nursing
 Bd. of Nursing Home Admin.
 Bd. of Optometry
 Bd. of Pharmacy
 Bd. of Veterinary Medicine
 Bd. of Psychologists
 Bd. of Speech Pathologists
 Bd. of Radiologic Tech.
 Bd. of Social Workers & Prof Counselors
 Bd. of Physical Therapists
 Bd. of Occupational Therapists
 Bd. of Clinical Lab. Science Practice
 Licensed Addiction Counselors

BOLB

Bd. of Architects
 Bd. of Athletics
 Bd. of Barbers/Cosmetologists
 State Electrical Board
 Bd. of Outfitters
 Bd. of Prof. Eng. & Land Surveyors
 Bd. of Public Accountants
 Bd. of Realty Regulation
 Board of Real Estate Appraisers
 Bd. of Sanitarians
 Bd. of Private Sec. Patrol Officers
 Bd. of Landscape Architects
 Bd. of Plumbers
 Fire Prevention Installers License
 Boiler, Blaster, Crane License

Proprietary Rate Explanation

Recharge rates are allocated to the state special revenue accounts based upon projected expenditures. Each program is assigned a percentage rate based on assigned FTE. That percentage is then applied to determine each program's share of the necessary revenues. Legal services expenditures are part of the overall recharge amounts, but fall under Centralized Services Division's budget rather than in the Business Standards Division.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 4.00 | 0.00 | 0.00 | 4.00 | 0.00 | 0.00 | 4.00 | 4.00 |
| Personal Services | 142,543 | 15,564 | 5,080 | 163,187 | 16,031 | 13,375 | 171,949 | 335,136 |
| Operating Expenses | 103,389 | 15,664 | 0 | 119,053 | 39,197 | 0 | 142,586 | 261,639 |
| Grants | 2,164,437 | 0 | 0 | 2,164,437 | 0 | 0 | 2,164,437 | 4,328,874 |
| Total Costs | \$2,410,369 | \$31,228 | \$5,080 | \$2,446,677 | \$55,228 | \$13,375 | \$2,478,972 | \$4,925,649 |
| General Fund | 23,484 | 13,235 | 1,359 | 38,078 | 36,287 | 2,349 | 62,120 | 100,198 |
| State/Other Special | 743 | 0 | (743) | 0 | 0 | (743) | 0 | 0 |
| Federal Special | 2,386,142 | 17,993 | 4,464 | 2,408,599 | 18,941 | 11,769 | 2,416,852 | 4,825,451 |
| Total Funds | \$2,410,369 | \$31,228 | \$5,080 | \$2,446,677 | \$55,228 | \$13,375 | \$2,478,972 | \$4,925,649 |

Program Description

The Office of Community Services (OCS) provides administration of Federal Corporation for National Service programs (AmeriCorps and Campus Corps), community service, and volunteer efforts statewide, including the Volunteer Montana Program.

Program Highlights

| Office of Community Services Major Budget Highlights | |
|---|--|
| ♦ | The increase in general fund is predominantly for the matching requirement for the Corporation for National Service grant. |
| ♦ | The remaining funding increases are primarily due to the statewide pay plan and statewide present law adjustments |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Office Of Community Services | | | | | | | |
|---|-----------------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 23,484 | 1.0% | \$ 38,078 | 1.6% | \$ 62,120 | 2.5% |
| | 01100 General Fund | 23,484 | 1.0% | 38,078 | 1.6% | 62,120 | 2.5% |
| 02000 | Total State Special Funds | 743 | 0.0% | - | - | - | - |
| | 02258 Employment Security Account | 743 | 0.0% | - | - | - | - |
| 03000 | Total Federal Special Funds | 2,386,142 | 99.0% | 2,408,599 | 98.4% | 2,416,852 | 97.5% |
| | 03322 Mt Community Service Fsr | <u>2,386,142</u> | <u>99.0%</u> | <u>2,408,599</u> | <u>98.4%</u> | <u>2,416,852</u> | <u>97.5%</u> |
| Grand Total | | <u>\$ 2,410,369</u> | <u>100.0%</u> | <u>\$ 2,446,677</u> | <u>100.0%</u> | <u>\$ 2,478,972</u> | <u>100.0%</u> |

Federal funds provide 98 percent of total funding for the Office of Community Services (OCS) program with the remainder provided by general fund. General fund provides the required state match for the program administration grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 22,152 | | | | | 22,638 |
| Vacancy Savings | | | | | (6,588) | | | | | (6,607) |
| Inflation/Deflation | | | | | (56) | | | | | (53) |
| Fixed Costs | | | | | 1,341 | | | | | 1,455 |
| Total Statewide Present Law Adjustments | | | | | \$16,849 | | | | | \$17,433 |
| DP 19 - Office of Community Services - Base Adj. | 0.00 | 328 | 0 | 1,310 | 1,638 | 0.00 | 420 | 0 | 1,679 | 2,099 |
| DP 21 - Office of Community Service Funding Match | 0.00 | 12,741 | 0 | 0 | 12,741 | 0.00 | 35,696 | 0 | 0 | 35,696 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$13,069 | \$0 | \$1,310 | \$14,379 | 0.00 | \$36,116 | \$0 | \$1,679 | \$37,795 |
| Grand Total All Present Law Adjustments | | | | | \$31,228 | | | | | \$55,228 |

DP 19 - Office of Community Services - Base Adj. - The legislature approved additional general fund and federal special revenues for increases in indirect costs that support the administrative functions in the Centralized Services Division.

DP 21 - Office of Community Service Funding Match - The legislature approved general fund authority for the required state match of 100 percent of the administrative grant received from the Corporation for National Service. The OCS receives a federal grant from the Corporations for National Service each year for \$2.4 million. Within the grant is an administrative grant for \$143,000.

New Proposals

| New Proposals | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 4 - General Fund/ESA Fund Switch | | | | | | | | | | |
| 07 | 0.00 | 743 | (743) | 0 | 0 | 0.00 | 743 | (743) | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - IIB 447 | | | | | | | | | | |
| 07 | 0.00 | 616 | 0 | 4,464 | 5,080 | 0.00 | 1,606 | 0 | 11,769 | 13,375 |
| Total | 0.00 | \$1,359 | (\$743) | \$4,464 | \$5,080* | 0.00 | \$2,349 | (\$743) | \$11,769 | \$13,375* |

DP 4 - General Fund/ESA Fund Switch - The legislature approved restoring general fund that was replaced with employment security account funds in the 2003 legislative session as a one-time-only funding switch

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 5.00 | 1.00 | 0.00 | 6.00 | 1.00 | 0.00 | 6.00 | 6.00 |
| Personal Services | 324,253 | 88,931 | 11,658 | 424,842 | 87,989 | 29,834 | 442,076 | 866,918 |
| Operating Expenses | 110,371 | 30,580 | 0 | 140,951 | 31,763 | 0 | 142,134 | 283,085 |
| Total Costs | \$434,624 | \$119,511 | \$11,658 | \$565,793 | \$119,752 | \$29,834 | \$584,210 | \$1,150,003 |
| State/Other Special | 434,624 | 119,511 | 11,658 | 565,793 | 119,752 | 29,834 | 584,210 | 1,150,003 |
| Total Funds | \$434,624 | \$119,511 | \$11,658 | \$565,793 | \$119,752 | \$29,834 | \$584,210 | \$1,150,003 |

Program Description

The Workers' Compensation Court provides a forum for Montana employees and the insurance industry to resolve disputes arising from work-related injuries and occupational disease. The court is attached to the department for administrative purposes only.

Program Highlights

| Workers Compensation Court Major Budget Highlights | |
|---|---|
| ♦ | Funding increases are primarily due to an increase of 1.0 FTE for an additional attorney and the statewide pay plan |

Funding

The Workers' Compensation Court is exclusively funded with workers' compensation regulation funds from assessments on employers, insurers, and state funds. This fund was formed to pay for workers compensation regulation.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|-------------|--------------|------------------|-----------------|------------------|-------------|--------------|------------------|-----------------|------------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 24,580 | | | | | 23,843 |
| Vacancy Savings | | | | | (13,952) | | | | | (13,925) |
| Inflation/Deflation | | | | | (1,510) | | | | | (1,478) |
| Fixed Costs | | | | | (1,873) | | | | | (1,876) |
| Total Statewide Present Law Adjustments | | | | | \$7,245 | | | | | \$6,564 |
| DP 20 - Workers' Compensation Court - Base Adj. | 0.00 | 0 | 23,963 | 0 | 23,963 | 0.00 | 0 | 25,117 | 0 | 25,117 |
| DP 902 - Workers' Compensation Staff Attorney | 1.00 | 0 | 88,303 | 0 | 88,303 | 1.00 | 0 | 88,071 | 0 | 88,071 |
| Total Other Present Law Adjustments | 1.00 | \$0 | \$112,266 | \$0 | \$112,266 | 1.00 | \$0 | \$113,188 | \$0 | \$113,188 |
| Grand Total All Present Law Adjustments | | | | | \$119,511 | | | | | \$119,752 |

DP 20 - Workers' Compensation Court - Base Adj. - The legislature approved additional state special revenue authority for travel, contracted services, and rent increases. The source of the state special revenue is the workers' compensation regulation fund (WCR).

DP 902 - Workers' Compensation Staff Attorney - The legislature approved additional funding to hire one additional staff attorney for the Workers' Compensation Court (WCC). The source of the state special revenue is the WCR fund.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|-----------------|-----------------|------------------|-------------|--------------|-----------------|-----------------|------------------|
| Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 09 | 0.00 | 0 | 11,658 | 0 | 11,658 | 0.00 | 0 | 29,834 | 0 | 29,834 |
| Total | 0.00 | \$0 | \$11,658 | \$0 | \$11,658* | 0.00 | \$0 | \$29,834 | \$0 | \$29,834* |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 168.90 | 4.00 | 0.00 | 172.90 | 4.00 | 0.00 | 172.90 | 172.90 |
| Personal Services | 7,048,318 | 966,075 | 231,805 | 8,246,198 | 972,838 | 602,501 | 8,623,657 | 16,869,855 |
| Operating Expenses | 6,819,064 | 1,653,835 | 250,000 | 8,722,899 | 1,742,344 | 250,000 | 8,811,408 | 17,534,307 |
| Equipment | 90,923 | 0 | 175,000 | 265,923 | 0 | 0 | 90,923 | 356,846 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 1,039,597 | 96,000 | 0 | 1,135,597 | 96,000 | 0 | 1,135,597 | 2,271,194 |
| Benefits & Claims | 2,280 | 0 | 0 | 2,280 | 0 | 0 | 2,280 | 4,560 |
| Total Costs | \$15,000,182 | \$2,715,910 | \$656,805 | \$18,372,897 | \$2,811,182 | \$852,501 | \$18,663,865 | \$37,036,762 |
| General Fund | 4,111,558 | 249,595 | 433,197 | 4,794,350 | 240,580 | 464,435 | 4,816,573 | 9,610,923 |
| State/Other Special | 542,203 | 467,773 | 79,184 | 1,089,160 | 540,497 | 11,065 | 1,093,765 | 2,182,925 |
| Federal Special | 10,346,421 | 1,998,542 | 144,424 | 12,489,387 | 2,030,105 | 377,001 | 12,753,527 | 25,242,914 |
| Total Funds | \$15,000,182 | \$2,715,910 | \$656,805 | \$18,372,897 | \$2,811,182 | \$852,501 | \$18,663,865 | \$37,036,762 |

Agency Description

The Department of Military Affairs, administered by the Adjutant General, oversees activities of the Air and Army National Guard, Disaster and Emergency Services, and the National Guard (NG) Youth Challenge program. The Montana Board of Veterans' Affairs is administratively attached to the department. The department, through the Army and Air National Guard, manages a joint federal-state program to maintain trained and equipped military organizations in readiness for state and national mobilizations to active duty.

The Disaster and Emergency Services Division plans for and coordinates state responses in disaster and emergency situations. The Board of Veterans' Affairs manages and cooperates with state and federal agencies in providing statewide services for discharged veterans and their families, and is responsible for the two state veterans' cemeteries. The NG Youth Challenge program provides a military-modeled youth intervention program with a goal of improving the life coping skills and employability of high school dropouts.

Agency Highlights

| Department of Military Affairs Major Budget Highlights | |
|---|--|
| Total funding increases of \$7.0 million over the FY 2004 base year are due to: | |
| ♦ | Statewide and other present law adjustments of \$5.5 million include: |
| • | \$1.4 million in personal services and fixed costs |
| • | \$2.0 million for on-going maintenance and utilities expenditures at new and existing facilities |
| • | Increases for firefighter overtime and added security personnel due to continued heightened security of military installations (\$826,097) |
| • | \$1.0 million continued funding for the distance learning center and the communication backbone |
| ♦ | New proposals of \$1.5 million include: |
| • | \$834,305 to implement HB 447, the statewide pay plan |
| • | \$500,000 to continue funding for the National Scholarship Program |
| • | \$100,000 to help construct a Liberty House at Fort Harrison |

- A mobile service van for the Out Reach Program in Veteran Affairs (\$75,000)
- ♦ The legislature appropriated additional funding in HB 173 for search and rescue efforts that are collected from surcharges on conservation licenses and snowmobiles and off road vehicles

Summary of Legislative Action

The legislature increased the Department of Military Affairs budget by \$7.0 million over the FY 2004 base expenditures, primarily for statewide and other present law adjustments of \$5.5 million and funding new proposals of \$1.5 million. These figures do not include any funding for homeland security grants, as the executive did not bring any proposals forward, instead allowing the agency to gain approval through budget amendments. The grants added in FY 2005 in HB 4 (the budget amendment bill) total \$13.7 million.

Of the \$7.0 million increase, general fund accounts for \$1.4 million or 20 percent and are primarily due to the following:

- National Guard Scholarship Program (\$500,000)
- Liberty House project at Fort Harrison (\$100,000)
- HB 447 the statewide pay plan (\$297,632)
- Statewide present law adjustments (\$441,219)

State special revenue increased by \$1.0 million or 15 percent and primarily funds the on-going maintenance at the veteran's cemeteries through a 0.50 per vehicle registration and the expanded search and rescue appropriation in HB 173.

Federal special revenue increased by \$4.6 million or 65 percent over the biennium and funds the following increases:

- On-going maintenance and utilities for federal buildings (\$2.0 million)
- Distance learning network and communications (\$1.0 million)
- Added security and firefighter overtime (\$826,097)
- Statewide present law adjustments (\$571,000)

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|--------------|--------------|---------------|---------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Centralized Services Division | \$ 927,703 | \$ - | \$ 404,717 | \$ 1,332,420 | 3.60% |
| 02 Challenge Program | 2,301,693 | - | 3,457,122 | 5,758,815 | 15.55% |
| 03 Scholarship Program | 500,000 | - | - | 500,000 | 1.35% |
| 12 Army National Guard Pgm | 2,433,742 | 127,600 | 12,123,824 | 14,685,166 | 39.65% |
| 13 Air National Guard Pgm | 633,594 | - | 5,632,034 | 6,265,628 | 16.92% |
| 21 Disaster & Emergency Services | 1,309,034 | 228,874 | 3,625,217 | 5,163,125 | 13.94% |
| 31 Veterans Affairs Program | 1,505,157 | 1,826,451 | - | 3,331,608 | 9.00% |
| Grand Total | \$ 9,610,923 | \$ 2,182,925 | \$ 25,242,914 | \$ 37,036,762 | 100.00% |

Other Legislation

House Bill 173 – HB 173 expands the time period that search and rescue funding collected by the Department of Fish Wildlife and Parks (FWP) can be used. The Department of Military Affairs can now use the funds the year the funds are deposited and also during the following fiscal year before reverting back to the general license account in FWP. The legislature appropriated \$100,000 each year, which comes from a \$0.25 surcharge on every conservation license and snowmobile and off road vehicle decal fee.

House Bill 761 – HB 761 allows members of the Montana National Guard on active duty for a contingency operation to be reimbursed for group life insurance. HB 761 also allows the reimbursement of premiums for the group life insurance to be exempt from state taxation. The legislature appropriated \$300,000 of general fund each year for reimbursement of group life insurance premiums.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
|---------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| FTE | 168.90 | 173.90 | 172.90 | (1.00) | 173.90 | 172.90 | (1.00) | |
| Personal Services | 7,048,318 | 8,051,508 | 8,246,198 | 194,690 | 8,058,164 | 8,623,657 | 565,493 | 760,183 |
| Operating Expenses | 6,819,064 | 8,718,899 | 8,722,899 | 4,000 | 8,807,408 | 8,811,408 | 4,000 | 8,000 |
| Equipment | 90,923 | 165,923 | 265,923 | 100,000 | 90,923 | 90,923 | 0 | 100,000 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 1,039,597 | 1,039,597 | 1,135,597 | 96,000 | 1,039,597 | 1,135,597 | 96,000 | 192,000 |
| Benefits & Claims | 2,280 | 2,280 | 2,280 | 0 | 2,280 | 2,280 | 0 | 0 |
| Total Costs | \$15,000,182 | \$17,978,207 | \$18,372,897 | \$394,690 | \$17,998,372 | \$18,663,865 | \$665,493 | \$1,060,183 |
| General Fund | 4,111,558 | 4,625,999 | 4,794,350 | 168,351 | 4,616,941 | 4,816,573 | 199,632 | 367,983 |
| State/Other Special | 542,203 | 984,976 | 1,089,160 | 104,184 | 982,700 | 1,093,765 | 111,065 | 215,249 |
| Federal Special | 10,346,421 | 12,367,232 | 12,489,387 | 122,155 | 12,398,731 | 12,753,527 | 354,796 | 476,951 |
| Total Funds | \$15,000,182 | \$17,978,207 | \$18,372,897 | \$394,690 | \$17,998,372 | \$18,663,865 | \$665,493 | \$1,060,183 |

For the biennium the legislative budget is \$1.0 million more in total funds than the executive budget. General fund is \$367,983 higher and accounts for 35 percent of the total increase. The primary differences between the legislative and executive budget are due to the following:

- HB 447, the statewide pay plan, increases the following authority over the biennium: general fund – \$297,632; state special revenue - \$15,248; federal special revenue - \$521,424
- The legislature appropriated \$100,000 of general fund for the Liberty House Project at Fort Harrison
- \$200,000 of state special revenue was added for expanded search and rescue efforts in the Disaster and Emergency Services Division to implement HB 173
- The legislature rejected the proposal from the Governor for adding 1.00 FTE in the Youth Challenge Program, thereby reducing general fund by \$29,649 and federal special revenue by \$44,474 over the biennium

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 9.20 | 0.00 | 0.00 | 9.20 | 0.00 | 0.00 | 9.20 | 9.20 |
| Personal Services | 525,039 | 13,938 | 15,437 | 554,414 | 12,668 | 39,362 | 577,069 | 1,131,483 |
| Operating Expenses | 50,742 | 48,335 | 0 | 99,077 | 46,558 | 0 | 97,300 | 196,377 |
| Benefits & Claims | 2,280 | 0 | 0 | 2,280 | 0 | 0 | 2,280 | 4,560 |
| Total Costs | \$578,061 | \$62,273 | \$15,437 | \$655,771 | \$59,226 | \$39,362 | \$676,649 | \$1,332,420 |
| General Fund | 427,128 | 25,263 | 10,538 | 462,929 | 10,890 | 26,756 | 464,774 | 927,703 |
| Federal Special | 150,933 | 37,010 | 4,899 | 192,842 | 48,336 | 12,606 | 211,875 | 404,717 |
| Total Funds | \$578,061 | \$62,273 | \$15,437 | \$655,771 | \$59,226 | \$39,362 | \$676,649 | \$1,332,420 |

Program Description

The Centralized Services Division provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, and purchasing and property management oversight. The program operates in accordance with Title 2, Chapter 15, part 12 and Title 10, MCA.

Program Highlights

| Centralized Services Division Major Budget Highlights | |
|--|---|
| ◆ | Increases in funding are due to statewide present law adjustments and funding of the statewide pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Centralized Services Division | | | | | | | |
|--|-------------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 427,128 | 73.9% | \$ 462,929 | 70.6% | \$ 464,774 | 68.7% |
| | 01100 General Fund | 427,128 | 73.9% | 462,929 | 70.6% | 464,774 | 68.7% |
| 03000 | Total Federal Special Funds | 150,933 | 26.1% | 192,842 | 29.4% | 211,875 | 31.3% |
| | 03132 National Guard | 134,614 | 23.3% | 176,120 | 26.9% | 194,521 | 28.7% |
| | 03134 Disaster & Emergency Services | 16,319 | 2.8% | 16,722 | 2.5% | 17,354 | 2.6% |
| Grand Total | | \$ 578,061 | 100.0% | \$ 655,771 | 100.0% | \$ 676,649 | 100.0% |

The Centralized Services Division is primarily funded with general fund. The federal-state agreement between the Department of Military Affairs and the associated federal agencies have identified certain personal service costs of positions that provide support to federally funded activities as applicable for federal funding. During the base year, federal funds accounted for approximately 26 percent of the funding for the division. In the 2007 biennium, the percentage increases to 29 percent.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-----|--------------|---------------|-----------------|-----------------|-----------------------|--------------|---------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 36,395 | | | | | 35,070 |
| Vacancy Savings | | | | | (22,457) | | | | | (22,402) |
| Inflation/Deflation | | | | | (13) | | | | | (12) |
| Fixed Costs | | | | | 48,348 | | | | | 46,570 |
| Total Statewide Present Law Adjustments | | | | | \$62,273 | | | | | \$59,226 |
| Grand Total All Present Law Adjustments | | | | | \$62,273 | | | | | \$59,226 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|-----------------|-------------|-----------------|---------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | | | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 10,538 | 0 | 4,899 | 15,437 | 0.00 | 26,756 | 0 | 12,606 | 39,362 |
| Total | 0.00 | \$10,538 | \$0 | \$4,899 | \$15,437 | 0.00 | \$26,756 | \$0 | \$12,606 | \$39,362 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 47.40 | 0.00 | 0.00 | 47.40 | 0.00 | 0.00 | 47.40 | 47.40 |
| Personal Services | 1,677,363 | 36,125 | 56,410 | 1,769,898 | 35,350 | 148,130 | 1,860,843 | 3,630,741 |
| Operating Expenses | 1,084,380 | (17,372) | 0 | 1,067,008 | (23,314) | 0 | 1,061,066 | 2,128,074 |
| Total Costs | \$2,761,743 | \$18,753 | \$56,410 | \$2,836,906 | \$12,036 | \$148,130 | \$2,921,909 | \$5,758,815 |
| General Fund | 1,107,616 | 4,583 | 22,191 | 1,134,390 | 1,896 | 57,791 | 1,167,303 | 2,301,693 |
| Federal Special | 1,654,127 | 14,170 | 34,219 | 1,702,516 | 10,140 | 90,339 | 1,754,606 | 3,457,122 |
| Total Funds | \$2,761,743 | \$18,753 | \$56,410 | \$2,836,906 | \$12,036 | \$148,130 | \$2,921,909 | \$5,758,815 |

Program Description

The Montana National Guard Youth Challenge Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. Challenge is a 17-month, voluntary two-phased military modeled training program targeting unemployed, drug-free, and law-free high school dropouts. The program provides an opportunity for high school, at risk youth to enhance their life skills, increase their educational levels, and their employment potential. Phase I of the program is a 22-week residential stay on the campus of Western Montana College of the University of Montana in Dillon, focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially-trained member of the community where the youth resides to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

Program Highlights

| Youth Challenge Program Major Budget Highlights | |
|--|---|
| ◆ | Increases in funding are due to statewide present law adjustments and funding of the statewide pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Challenge Program | | | | | | | |
|--|-----------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,107,616 | 40.1% | \$ 1,134,390 | 40.0% | \$ 1,167,303 | 40.0% |
| | 01100 General Fund | 1,107,616 | 40.1% | 1,134,390 | 40.0% | 1,167,303 | 40.0% |
| 03000 | Total Federal Special Funds | 1,654,127 | 59.9% | 1,702,516 | 60.0% | 1,754,606 | 60.0% |
| | 03132 National Guard | 1,654,127 | 59.9% | 1,702,516 | 60.0% | 1,754,606 | 60.0% |
| Grand Total | | <u>\$ 2,761,743</u> | <u>100.0%</u> | <u>\$ 2,836,906</u> | <u>100.0%</u> | <u>\$ 2,921,909</u> | <u>100.0%</u> |

The Youth Challenge Program is funded with general fund and federal special revenue at a 60/40 federal to state funding ratio. The federal-level National Guard Bureau established the program at an original split of 75/25 federal-state match in

1998, with the state percentage to increase by 5 percent each year until FY 2002, at which time the state match became 40 percent. The legislative budget funds the Youth Challenge Program state match with general fund for the 2007 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-----|--------------|---------------|-----------------|-----------------|-----------------------|--------------|---------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 107,520 | | | | | 106,717 |
| Vacancy Savings | | | | | (71,395) | | | | | (71,367) |
| Fixed Costs | | | | | (17,372) | | | | | (23,314) |
| Total Statewide Present Law Adjustments | | | | | \$18,753 | | | | | \$12,036 |
| Grand Total All Present Law Adjustments | | | | | \$18,753 | | | | | \$12,036 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|-----------------|-----------------------|-----------------|---------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 02 | 0.00 | 22,191 | 0 | 34,219 | 56,410 | 0.00 | 57,791 | 0 | 90,339 | 148,130 |
| Total | 0.00 | \$22,191 | \$0 | \$34,219 | \$56,410 | 0.00 | \$57,791 | \$0 | \$90,339 | \$148,130 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 0 | 0 | 250,000 | 250,000 | 0 | 250,000 | 250,000 | 500,000 |
| Total Costs | \$0 | \$0 | \$250,000 | \$250,000 | \$0 | \$250,000 | \$250,000 | \$500,000 |
| General Fund | 0 | 0 | 250,000 | 250,000 | 0 | 250,000 | 250,000 | 500,000 |
| Total Funds | \$0 | \$0 | \$250,000 | \$250,000 | \$0 | \$250,000 | \$250,000 | \$500,000 |

Program Description

The Montana National Guard Scholarship Program was established in the 2001 biennium to offer scholarships as a recruiting and retention tool for the Montana Air and Army National Guard. The program provides scholarships to enlisted Montana National Guard personnel enrolled as full-time undergraduate students in colleges, universities, or training programs. The primary goals of the program are to assist Montana in increasing its assigned personnel strength in both the Army and Air National Guard and enhance Army and Air National Guard operational readiness to assume both state and federal active duty missions.

Program Highlights

| Scholarship Program Major Budget Highlights | |
|--|---|
| ♦ | The legislature funds the National Scholarship Program with \$500,000 of general fund, twice the level appropriated by the 2003 legislature |

Program Narrative

The Fifty-sixth Legislature first established the Montana National Guard Scholarship program as a recruiting and retention tool for the Montana National Guard personnel. The scholarship program was to provide direct cash payment to each National Guard personnel after the completion of each semester of school (defined as a full-time undergraduate student in colleges, universities, or training programs). Funding for the program has been a biennial, one-time-only general fund appropriation of \$250,000 each biennium, since enacted in the 2001 biennium. The 2005 legislature doubled the general fund appropriation to \$500,000 and removed the one-time-only designation from the program.

Funding

The National Guard Scholarship Program is funded entirely with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|------------------|---------------|-----------------|------------------|-------------|------------------|---------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 202 - Fund National Guard Scholarship Program | | | | | | | | | | |
| 03 | 0.00 | 250,000 | 0 | 0 | 250,000 | 0.00 | 250,000 | 0 | 0 | 250,000 |
| Total | 0.00 | \$250,000 | \$0 | \$0 | \$250,000 | 0.00 | \$250,000 | \$0 | \$0 | \$250,000 |

DP 202 - Fund National Guard Scholarship Program - The legislature approved funding to continue the National Guard Scholarship Program. The 2003 Legislature funded the program as a biennial, one-time only general fund appropriation of \$250,000. The 2005 Legislature funded the program with \$500,000 general fund, and designated the appropriation as restricted and biennial.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 34.30 | 3.00 | 0.00 | 37.30 | 3.00 | 0.00 | 37.30 | 37.30 |
| Personal Services | 1,781,009 | 127,738 | 55,666 | 1,964,413 | 130,827 | 144,172 | 2,056,008 | 4,020,421 |
| Operating Expenses | 3,978,869 | 1,199,169 | 0 | 5,178,038 | 1,325,992 | 0 | 5,304,861 | 10,482,899 |
| Equipment | 90,923 | 0 | 0 | 90,923 | 0 | 0 | 90,923 | 181,846 |
| Total Costs | \$5,850,801 | \$1,326,907 | \$55,666 | \$7,233,374 | \$1,456,819 | \$144,172 | \$7,451,792 | \$14,685,166 |
| General Fund | 1,179,286 | 15,240 | 7,367 | 1,201,893 | 33,716 | 18,847 | 1,231,849 | 2,433,742 |
| State/Other Special | 0 | 26,300 | 0 | 26,300 | 101,300 | 0 | 101,300 | 127,600 |
| Federal Special | 4,671,515 | 1,285,367 | 48,299 | 6,005,181 | 1,321,803 | 125,325 | 6,118,643 | 12,123,824 |
| Total Funds | \$5,850,801 | \$1,326,907 | \$55,666 | \$7,233,374 | \$1,456,819 | \$144,172 | \$7,451,792 | \$14,685,166 |

Program Description

The Army National Guard (ARNG) until federalized, is a state military organization, which provides trained and equipped military units for use in the event of a state or national emergency. The Federal/State Cooperative Agreement provides funding for facilities management, environmental, and communications support to the organization by: 1) providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas; 2) planning, programming, and contracting for construction; 3) ensuring all activities and facilities comply with environmental regulations; and 4) providing state-wide communication services, security contracts, and leases for buildings and land used by the Army National Guard. The U.S. and Montana constitutions and Title 10, Chapters 1-3, MCA mandate the program.

Program Highlights

| Army National Guard Program Major Budget Highlights | |
|--|---|
| ♦ | <p>The legislative budget increases of \$3.0 million over the biennium consist of a 2 percent increase in general fund, a 4 percent increase in state special revenue, and a 96 percent increase in federal special revenue. These increases over the biennium are primarily due to:</p> <ul style="list-style-type: none"> • \$604,000 for compliance with environmental regulations • An appropriation for the distance learning center and the communication backbone of \$1.0 million • Federal special revenues for on-going maintenance and repairs of \$1.0 million • Funding for the opening of 10 different facilities or additions to existing facilities in FY 2005 or FY 2006, including utilities, janitorial services, and added maintenance personnel of \$336,856 • \$199,838 for the statewide pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|-----------------------------|----------------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| | | Arm National Guard Program | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,179,286 | 20.2% | \$ 1,201,893 | 16.6% | \$ 1,231,849 | 16.5% |
| | 01100 General Fund | 1,179,286 | 20.2% | 1,201,893 | 16.6% | 1,231,849 | 16.5% |
| 02000 | Total State Special Funds | - | - | 26,300 | 0.4% | 101,300 | 1.4% |
| | 02101 Distance Learning | - | - | 25,000 | 0.3% | 100,000 | 1.3% |
| | 02343 Armory Rental Funds | - | - | 1,300 | 0.0% | 1,300 | 0.0% |
| 03000 | Total Federal Special Funds | 4,671,515 | 79.8% | 6,005,181 | 83.0% | 6,118,643 | 82.1% |
| | 03132 National Guard | <u>4,671,515</u> | <u>79.8%</u> | <u>6,005,181</u> | <u>83.0%</u> | <u>6,118,643</u> | <u>82.1%</u> |
| Grand Total | | <u>\$ 5,850,801</u> | <u>100.0%</u> | <u>\$ 7,233,374</u> | <u>100.0%</u> | <u>\$ 7,451,792</u> | <u>100.0%</u> |

The Army National Guard program is primarily funded with a combination of general fund and federal funds. Funding depends on how a facility is used and the costs to operate and maintain a facility, and can be funded: 1) entirely with state funds; 2) entirely with federal funds; or 3) as a shared responsibility, with federal funds at 75 percent and general fund at 25 percent (service contract buildings). When a facility is owned by the state and located on state land, maintenance costs are the responsibility of the state and utility costs are split evenly with the federal government. When a facility is state owned but located on federal land, the maintenance costs are funded 75 percent federal and 25 percent general fund, but utility costs are funded 100 percent general fund. When a facility is classified as a logistics facility, the funding is 100 percent federal funds for the entire facility. Federally owned facilities located on federal land and those that serve training missions are predominantly funded 100 percent with federal funds, except when the building is used as an armory. Armories constructed with federal funds and located on federal land are funded 100 percent general fund for maintenance and 50 percent federal and 50 percent general fund for utilities costs. When armories are rented to groups, the state special revenue funds generated from rental fees are used to augment general fund support of the facilities.

During the base year, general fund accounted for 20 percent of overall expenditures within the Army National Guard program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 121,388 | | | | | | 124,605 |
| Vacancy Savings | | | | (76,095) | | | | | | (76,225) |
| Inflation/Deflation | | | | 53,759 | | | | | | 42,029 |
| Fixed Costs | | | | (6,594) | | | | | | (15,391) |
| Total Statewide Present Law Adjustments | | | | \$92,458 | | | | | | \$75,018 |
| DP 3 - ARNG Utilities at New Locations | | | | | | | | | | |
| 0.00 | 2,639 | 0 | 56,365 | 59,004 | 0.00 | 8,186 | 0 | 117,168 | 125,354 | |
| DP 4 - Janitorial Service at New Locations | | | | | | | | | | |
| 0.00 | 8,340 | 0 | 12,660 | 21,000 | 0.00 | 13,620 | 0 | 13,380 | 27,000 | |
| DP 5 - ARNG Facilities Maintenance Employees | | | | | | | | | | |
| 2.00 | 13,062 | 0 | 39,184 | 52,246 | 2.00 | 13,066 | 0 | 39,195 | 52,261 | |
| DP 6 - ARNG Janitorial at Existing Locations | | | | | | | | | | |
| 0.00 | 5,625 | 0 | 24,375 | 30,000 | 0.00 | 5,625 | 0 | 24,375 | 30,000 | |
| DP 9 - Distance Learning State Special Spending Authority | | | | | | | | | | |
| 0.00 | 0 | 25,000 | 0 | 25,000 | 0.00 | 0 | 100,000 | 0 | 100,000 | |
| DP 11 - Range Maintenance Employee | | | | | | | | | | |
| 1.00 | 0 | 0 | 30,199 | 30,199 | 1.00 | 0 | 0 | 30,186 | 30,186 | |
| DP 13 - Environmental Program Operations | | | | | | | | | | |
| 0.00 | 0 | 0 | 302,000 | 302,000 | 0.00 | 0 | 0 | 302,000 | 302,000 | |
| DP 14 - Communications 100% Federal Authority Increase | | | | | | | | | | |
| 0.00 | 0 | 0 | 200,000 | 200,000 | 0.00 | 0 | 0 | 200,000 | 200,000 | |
| DP 15 - ARNG Additional Federal Spending Authority | | | | | | | | | | |
| 0.00 | 0 | 0 | 515,000 | 515,000 | 0.00 | 0 | 0 | 515,000 | 515,000 | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 3.00 | \$29,666 | \$25,000 | \$1,179,783 | \$1,234,449 | 3.00 | \$40,497 | \$100,000 | \$1,241,304 | \$1,381,801 | |
| Grand Total All Present Law Adjustments | | | | \$1,326,907 | | | | | | \$1,456,819 |

DP 3 - ARNG Utilities at New Locations - The legislature approved additional utility expenditures to support new facilities that began operating partially through the base year or will start operations next year, and are derived as follows:

- o The Civil Support Team (CST) Armory is funded 75 percent federal funds and 25 percent general fund and is considered a service contract building. Spending authority is approved at \$10,555 per year
- o The Havre Armory addition and the Dillon Armory are funded 50 percent general fund and 50 percent federal funds. These two facilities were built with federal money on state land and are only reimbursed from the federal government 50 percent for utilities cost. Spending authority is approved at \$11,094 in FY 2007
- o There are seven federal facilities located on federal land that will be funded 100 percent with federal special revenue, including: 1) tool recycling facility; 2) Kalispell armed forces reserve center (AFRC); 3) engineer maintenance facility; 4) Billings AFRC addition; 5) Billings organizational maintenance shop (OMS) addition; 6) Kalispell OMS addition; and 7) army aviation support facility addition. The legislature approved federal special revenue for utilities expenditures in FY 2006 of \$48,449 and \$103,705 in FY 2007

DP 4 - Janitorial Service at New Locations - The legislature approved additional federal special revenue and general fund authority to support a basic level of janitorial services at the three new armories located at Dillon, Kalispell, and Fort Harrison, which have been constructed or will be constructed after the base year.

DP 5 - ARNG Facilities Maintenance Employees - The legislature approved 2.00 FTE to assist in maintaining the facilities operated and maintained by the department. The additional staff approved would include a heating ventilating and air conditioning technician and a painter. Funding authority is 75 percent federal funds and 25 percent general fund.

DP 6 - ARNG Janitorial at Existing Locations - The legislature approved additional janitorial services for the Helena Armed Forces Reserve Center.

DP 9 - Distance Learning State Special Spending Authority - The legislature approved additional state special revenue authority to continue implementation of shared usage of the Montana National Guard Distance Learning Network. The funds would be used to repair and maintain equipment and facilities. The shared use will be by state agencies, local governments, and other authorized groups.

DP 11 - Range Maintenance Employee - The legislature approved additional federal special revenue to make an existing modified position (targetry and range maintenance employee) a full-time permanent position. Expenditures for a modified position are not included in the base.

DP 13 - Environmental Program Operations - The legislature approved additional federal authority for the environmental program to comply with all state and federal environmental laws and requirements. The funding request would be used to sustain the permanent ongoing needs of the environmental compliance program in the areas of: hazardous waste disposal, spill response supplies, environmental documentation of new activities, facility management plans, natural resource studies, and unexploded ordinance remediation.

DP 14 - Communications 100% Federal Authority Increase - The legislature approved federal spending authority to maintain the statewide network that supports daily operations with voice, video, and data traffic, and the Montana National Guard Distance Learning Network.

DP 15 - ARNG Additional Federal Spending Authority - The legislature approved additional federal special revenue authority in the amount of \$515,000 per year for ongoing repair and maintenance costs for federal buildings on federal land. The funding would be used for completion of ongoing projects, including: roof repairs, asphalt crack sealing and seal coats, heating and ventilation system repairs and replacement, and upgrades and enhancements to security fencing, door and window hardware, and other items.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|---------------|-----------------|-----------------|-----------------------|-----------------|---------------|------------------|------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 12 | 0.00 | 7,367 | 0 | 48,299 | 55,666 | 0.00 | 18,847 | 0 | 125,325 | 144,172 |
| Total | 0.00 | \$7,367 | \$0 | \$48,299 | \$55,666 | 0.00 | \$18,847 | \$0 | \$125,325 | \$144,172 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 33.00 | 0.00 | 0.00 | 33.00 | 0.00 | 0.00 | 33.00 | 33.00 |
| Personal Services | 1,381,307 | 381,250 | 43,242 | 1,805,799 | 385,209 | 112,914 | 1,879,430 | 3,685,229 |
| Operating Expenses | 1,125,266 | 170,501 | 0 | 1,295,767 | 159,366 | 0 | 1,284,632 | 2,580,399 |
| Total Costs | \$2,506,573 | \$551,751 | \$43,242 | \$3,101,566 | \$544,575 | \$112,914 | \$3,164,062 | \$6,265,628 |
| General Fund | 281,946 | 30,989 | 2,934 | 315,869 | 28,245 | 7,534 | 317,725 | 633,594 |
| Federal Special | 2,224,627 | 520,762 | 40,308 | 2,785,697 | 516,330 | 105,380 | 2,846,337 | 5,632,034 |
| Total Funds | \$2,506,573 | \$551,751 | \$43,242 | \$3,101,566 | \$544,575 | \$112,914 | \$3,164,062 | \$6,265,628 |

Program Description

The Air National Guard program, until federalized, is a state military organization, which provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides for administrative, facilities maintenance, security, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard Program operates under both federal and state mandates in accordance with its dual missions and is mandated by the United States and Montana Constitutions and Title 10, Chapter 1-3, MCA.

Program Highlights

| Army National Guard Program Major Budget Highlights | |
|--|---|
| ♦ | The legislative budget increases of \$1.2 million over the 2004 base budget consist of a 5 percent increase in general fund and a 95 percent increase in federal special revenue. These increases over the biennium are due to: |
| • | \$537,736 in firefighter overtime |
| • | \$288,361 for increased security at the Air National Guard base at Gore Hill in Great Falls |
| • | \$234,229 in statewide present law adjustments |
| • | Pay plan adjustments (\$156,156) |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Air National Guard Pgm | | | | | | | |
|---|-----------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 281,946 | 11.2% | \$ 315,869 | 10.2% | \$ 317,725 | 10.0% |
| | 01100 General Fund | 281,946 | 11.2% | 315,869 | 10.2% | 317,725 | 10.0% |
| 03000 | Total Federal Special Funds | 2,224,627 | 88.8% | 2,785,697 | 89.8% | 2,846,337 | 90.0% |
| | 03132 National Guard | 2,224,627 | 88.8% | 2,785,697 | 89.8% | 2,846,337 | 90.0% |
| Grand Total | | <u>\$ 2,506,573</u> | <u>100.0%</u> | <u>\$ 3,101,566</u> | <u>100.0%</u> | <u>\$ 3,164,062</u> | <u>100.0%</u> |

The Air National Guard program is primarily funded with 90 percent federal funds and 10 percent general fund. Personal services costs for firefighters and security services are 100 percent federally funded.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-------------|--------------|---------------|------------------|------------------|-------------|--------------|---------------|------------------|------------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 174,623 | | | | | 178,743 |
| Vacancy Savings | | | | | (62,241) | | | | | (62,402) |
| Inflation/Deflation | | | | | 38,891 | | | | | 30,098 |
| Fixed Costs | | | | | (10,773) | | | | | (16,710) |
| Total Statewide Present Law Adjustments | | | | | \$140,500 | | | | | \$129,729 |
| DP 10 - AIR GUARD Firefighter Overtime | 0.00 | 0 | 0 | 268,868 | 268,868 | 0.00 | 0 | 0 | 268,868 | 268,868 |
| DP 12 - AIR GUARD Security | 0.00 | 0 | 0 | 142,383 | 142,383 | 0.00 | 0 | 0 | 145,978 | 145,978 |
| Total Other Present Law Adjustments | 0.00 | \$0 | \$0 | \$411,251 | \$411,251 | 0.00 | \$0 | \$0 | \$414,846 | \$414,846 |
| Grand Total All Present Law Adjustments | | | | | \$551,751 | | | | | \$544,575 |

DP 10 - AIR GUARD Firefighter Overtime - The legislature approved an increase in federal special revenue for overtime pay for state firefighters in the Air National Guard. All Fair Labor Standard Act (FLSA) overtime must be paid for all firefighter hours worked exceeding 212 in a two-pay period month. The contractual agreement requires these items to be paid when earned.

DP 12 - AIR GUARD Security - The legislature approved additional spending authority for an increase in contracted security services for the Air National Guard. The Air National Guard uses a security contractor to perform a portion of the security requirements for the Air National Guard base at Gore Hill in Great Falls. The 120th fighter wing located in Great Falls is still under a heightened security alert following the September 11, 2001 terrorist attack. This heightened alert requires that two security officers be on duty at all times. Funding for this addition previously was through a budget amendment. Funding is 100 percent federal special revenue.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|----------------|---------------|-----------------|-----------------|-------------|----------------|---------------|------------------|------------------|
| Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 13 | 0.00 | 2,934 | 0 | 40,308 | 43,242 | 0.00 | 7,534 | 0 | 105,380 | 112,914 |
| Total | 0.00 | \$2,934 | \$0 | \$40,308 | \$43,242 | 0.00 | \$7,534 | \$0 | \$105,380 | \$112,914 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 23.00 | 0.00 | 0.00 | 23.00 | 0.00 | 0.00 | 23.00 | 23.00 |
| Personal Services | 895,934 | 266,765 | 32,957 | 1,195,656 | 268,168 | 84,966 | 1,249,068 | 2,444,724 |
| Operating Expenses | 180,156 | 51,734 | 0 | 231,890 | 35,161 | 0 | 215,317 | 447,207 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 1,039,597 | 96,000 | 0 | 1,135,597 | 96,000 | 0 | 1,135,597 | 2,271,194 |
| Total Costs | \$2,115,687 | \$414,499 | \$32,957 | \$2,563,143 | \$399,329 | \$84,966 | \$2,599,982 | \$5,163,125 |
| General Fund | 456,031 | 173,266 | 16,258 | 645,555 | 165,833 | 41,615 | 663,479 | 1,309,034 |
| State/Other Special | 14,437 | 100,000 | 0 | 114,437 | 100,000 | 0 | 114,437 | 228,874 |
| Federal Special | 1,645,219 | 141,233 | 16,699 | 1,803,151 | 133,496 | 43,351 | 1,822,066 | 3,625,217 |
| Total Funds | \$2,115,687 | \$414,499 | \$32,957 | \$2,563,143 | \$399,329 | \$84,966 | \$2,599,982 | \$5,163,125 |

Program Description

The Disaster and Emergency Services Division duties and responsibilities are provided for under Title 10, Chapter 3, MCA. The division is responsible for the coordination, development, and implementation of emergency management planning, mitigation, response, and recovery statewide. This responsibility includes the administration and disbursement of Federal Homeland Security and Emergency Management funds to eligible political subdivisions and tribal nations across the state. The division maintains a 24-hour a day point of contact to coordinate the volunteer, state, and federal response for assistance to political subdivisions and tribal nations in the event of an incident, emergency, or disaster.

Program Highlights**Disaster and Emergency Services****Major Budget Highlights**

- ◆ Increased funding is due primarily to statewide present law adjustments and the statewide pay plan

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Disaster & Emergency Services | | | | | | | |
|--|-------------------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 456,031 | 21.6% | \$ 645,555 | 25.2% | \$ 663,479 | 25.5% |
| | 01100 General Fund | 456,031 | 21.6% | 645,555 | 25.2% | 663,479 | 25.5% |
| 02000 | Total State Special Funds | 14,437 | 0.7% | 114,437 | 4.5% | 114,437 | 4.4% |
| | 02335 Des Training Conference | 14,437 | 0.7% | 14,437 | 0.6% | 14,437 | 0.6% |
| | 02547 Search & Rescue | - | - | 100,000 | 3.9% | 100,000 | 3.8% |
| 03000 | Total Federal Special Funds | 1,645,219 | 77.8% | 1,803,151 | 70.3% | 1,822,066 | 70.1% |
| | 03134 Disaster & Emergency Services | 1,645,219 | 77.8% | 1,803,151 | 70.3% | 1,822,066 | 70.1% |
| Grand Total | | \$ 2,115,687 | 100.0% | \$ 2,563,143 | 100.0% | \$ 2,599,982 | 100.0% |

The Disaster and Emergency Services Division is supported with general fund, state special revenue, and federal special revenue. The disaster coordination functions that provide support to communities and contribute to the overall mission of the division are usually funded on a 50/50 basis with general fund and federal special revenue. Disaster coordination functions focusing on specifically identified hazards or functions are usually funded 100 percent with federal funds.

State special revenue is fee revenue from individuals who attend division-sponsored workshops and conferences and is used to support these functions and \$0.25 surcharge on every conservation license that is sold and from every snowmobile and off road vehicle decal fee. These fees are collected by Fish Wildlife, Parks (FWP) and deposited into a state special revenue account for search and rescue efforts. If these funds are not expended fully in the following fiscal year following the deposits into the account, these funds revert back to the general license account in FWP.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-----|--------------|---------------|-----------------|-----------------------|-----|--------------|---------------|-----------------|------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 315,212 | | | | | 316,671 |
| Vacancy Savings | | | | | (48,447) | | | | | (48,503) |
| Inflation/Deflation | | | | | (18) | | | | | (16) |
| Fixed Costs | | | | | 47,752 | | | | | 31,177 |
| Total Statewide Present Law Adjustments | | | | | \$314,499 | | | | | \$299,329 |
| DP 2 - Search and Rescue Surcharge | | | | | | | | | | |
| 0.00 | 0 | 100,000 | 0 | 100,000 | 0.00 | 0 | 100,000 | 0 | 100,000 | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$0 | \$100,000 | \$0 | \$100,000 | 0.00 | \$0 | \$100,000 | \$0 | \$100,000 | |
| Grand Total All Present Law Adjustments | | | | | \$414,499 | | | | | \$399,329 |

DP 2 - Search and Rescue Surcharge - The legislature appropriated \$100,000 each fiscal year of state special revenue for search and rescue. Funding comes from \$0.25 surcharge on every conservation license that is sold and from every snowmobile and off road vehicle decal fees.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|---------------|-----------------|-----------------------|-------------|-----------------|---------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 21 | 0.00 | 16,258 | 0 | 16,699 | 32,957 | 0.00 | 41,615 | 0 | 43,351 | 84,966 |
| Total | 0.00 | \$16,258 | \$0 | \$16,699 | \$32,957 | 0.00 | \$41,615 | \$0 | \$43,351 | \$84,966 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 22.00 | 1.00 | 0.00 | 23.00 | 1.00 | 0.00 | 23.00 | 23.00 |
| Personal Services | 787,666 | 140,259 | 28,093 | 956,018 | 140,616 | 72,957 | 1,001,239 | 1,957,257 |
| Operating Expenses | 399,651 | 201,468 | 0 | 601,119 | 198,581 | 0 | 598,232 | 1,199,351 |
| Equipment | 0 | 0 | 175,000 | 175,000 | 0 | 0 | 0 | 175,000 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$1,187,317 | \$341,727 | \$203,093 | \$1,732,137 | \$339,197 | \$72,957 | \$1,599,471 | \$3,331,608 |
| General Fund | 659,551 | 254 | 123,909 | 783,714 | 0 | 61,892 | 721,443 | 1,505,157 |
| State/Other Special | 527,766 | 341,473 | 79,184 | 948,423 | 339,197 | 11,065 | 878,028 | 1,826,451 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$1,187,317 | \$341,727 | \$203,093 | \$1,732,137 | \$339,197 | \$72,957 | \$1,599,471 | \$3,331,608 |

Program Description

The Veterans Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City and at Fort Harrison, in Helena. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs and operates under a state mandate provided in Title 10, Chapter 2, MCA.

Program Highlights

| Veterans Affairs Program Major Budget Highlights | |
|---|--|
| ♦ | The legislative budget increases of \$956,974 for the biennium over the 2004 base year expenditures are primarily due to: <ul style="list-style-type: none"> • \$480,000 for continued cemetery maintenance • \$101,050 for the statewide pay plan • \$100,000 of general fund for the Liberty House Project at Fort Harrison • \$75,000 for a mobile service van for the Outreach Program • \$198,144 in increases for statewide present law adjustments |

Program Narrative

The 2003 Legislature passed SB 401, which altered administration, operations, and service programs for the Montana Veterans' Affairs Division. There were two fiscal impacts from SB 401: 1) A 50-cent "veterans services" fee was enacted on light vehicle registration. The new vehicle registration fee generated \$279,586 in FY 2004 and \$559,173 in FY 2005; and 2) patriotic license plate was authorized. The license plate has not yet been designed and so no revenue has been collected. Revenues from both fees are deposited into a state special revenue account, which funds 3.0 FTE for additional outreach services. A new veterans' service office was opened in Havre to better serve the "hi-line" and additional outreach services programs were established at the Montana state prison, Montana state hospital, and the DUI WATC program. The funding from this special account also provides new and updated technology for the division.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Veterans Affairs Program | | | | | |
|-----------------|--------------------------------------|---|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 659,551 | 55.5% | \$ 783,714 | 45.2% | \$ 721,443 | 45.1% |
| | 01100 General Fund | 659,551 | 55.5% | 783,714 | 45.2% | 721,443 | 45.1% |
| 02000 | Total State Special Funds | 527,766 | 44.5% | 948,423 | 54.8% | 878,028 | 54.9% |
| | 02214 Veterans Affairs Cemeteries | 247,425 | 20.8% | 458,312 | 26.5% | 464,780 | 29.1% |
| | 02548 Veterans Affairs Sb401 | 262,173 | 22.1% | 431,943 | 24.9% | 355,080 | 22.2% |
| | 02550 Ft Harr Va Cemetery Donations | 7,995 | 0.7% | 17,995 | 1.0% | 17,995 | 1.1% |
| | 02551 Ft Harr Va Cemetery Plot Allow | 6,624 | 0.6% | 16,624 | 1.0% | 16,624 | 1.0% |
| | 02552 Estrn Mt Va Cemetery Plot All | - | - | 10,000 | 0.6% | 10,000 | 0.6% |
| | 02553 Estrn Mt Va Cemetery Donations | 3,549 | 0.3% | 13,549 | 0.8% | 13,549 | 0.8% |
| Grand Total | | <u>\$ 1,187,317</u> | <u>100.0%</u> | <u>\$ 1,732,137</u> | <u>100.0%</u> | <u>\$ 1,599,471</u> | <u>100.0%</u> |

The Veterans Affairs Division is funded with general fund for all functions within the division except cemetery operations. Veterans cemetery operations are fully funded by state special revenue from donations, veteran license plate fees, a 50-cent vehicle registration fee, and cemetery plot allowances.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|------------------|-----------------------|-----------------|------------------|--------------------|------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 144,131 | | | | | 144,522 |
| Vacancy Savings | | | | (37,271) | | | | | (37,287) |
| Inflation/Deflation | | | | (3,179) | | | | | (3,101) |
| Fixed Costs | | | | (3,353) | | | | | (6,318) |
| Total Statewide Present Law Adjustments | | | | \$100,328 | | | | | \$97,816 |
| DP 7 - FTE for the Veterans Cemetery | | | | | | | | | |
| 1.00 | 0 | 1,399 | 0 | 1,399 | 1.00 | 0 | 1,381 | 0 | 1,381 |
| DP 8 - Continue Cemetery Maintenance | | | | | | | | | |
| 0.00 | 0 | 240,000 | 0 | 240,000 | 0.00 | 0 | 240,000 | 0 | 240,000 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 1.00 | \$0 | \$241,399 | \$0 | \$241,399 | 1.00 | \$0 | \$241,381 | \$0 | \$241,381 |
| Grand Total All Present Law Adjustments | | | | \$341,727 | | | | | \$339,197 |

DP 7 - FTE for the Veterans Cemetery - The legislature approved adding 1.00 FTE to operate and maintain the eastern Montana veterans cemetery located in Miles City. Funding is from the veterans affairs cemeteries fund.

DP 8 - Continue Cemetery Maintenance - The legislature approved state special revenue authority of up to \$240,000 a year to operate, maintain, and administer the eastern Montana state veterans' cemetery located in Miles City and the Montana state veterans' cemetery located in Helena. Funding is from: 1) The veterans affairs cemeteries fund of \$200,000 a year; 2) \$20,000 from the cemetery plot account from Ft. Harrison; 3) \$10,000 from the eastern Montana plot allowance fund; and 4) \$10,000 from the Ft Harrison cemetery donations account.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|--|-------------|------------------|-----------------|-----------------|------------------|-------------|-----------------|-----------------|-----------------|-----------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 16 - Purchase a Mobile Veterans Service Van - OTO | | | | | | | | | | |
| 31 | 0.00 | 0 | 75,000 | 0 | 75,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 17 - Liberty House Project | | | | | | | | | | |
| 31 | 0.00 | 100,000 | 0 | 0 | 100,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 31 | 0.00 | 23,909 | 4,184 | 0 | 28,093 | 0.00 | 61,892 | 11,065 | 0 | 72,957 |
| Total | 0.00 | \$123,909 | \$79,184 | \$0 | \$203,093 | 0.00 | \$61,892 | \$11,065 | \$0 | \$72,957 |

DP 16 - Purchase a Mobile Veterans Service Van - OTO - The legislature approved purchasing a mobile veterans service van for the statewide veterans' services outreach program. The new van would primarily be used for creating and processing compensation claims (typically disability and pension) in areas not served by the current outreach program. The new mobile van will be a custom built 24-foot, handicapped accessible vehicle, equipped with two office areas, equipment, and technology capable of completing a veteran's claim for compensation. Funding is from the sale of license plates sponsored by the division.

DP 17 - Liberty House Project - The legislature appropriated \$100,000 of general fund for constructing a Liberty House at the Fort Harrison VA medical center. The Liberty House will be used for family visiting patients at the VA medical center.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"The Liberty House Project may be used only for the purpose of constructing a liberty house at Fort Harrison VA medical center."

EDUCATION

Section E

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Montana Arts Council
State Library Commission
Montana Historical Society

Montana University System (MUS)
Commissioner of Higher Education
Community Colleges
University Units and Colleges of Technology
Agricultural Experiment Station
Extension Service
Forestry & Conservation Experiment Station
Bureau of Mines & Geology
Fire Services Training School
Board of Regents

-----Committee Members-----

House

Representative Eve Franklin (Chair)
Representative Bill Glaser
Representative Verdell Jackson
Representative Carol Juneau

Senate

Senator Don Ryan (Vice-Chair)
Senator John Esp
Senator Carol Williams

-----Fiscal Division Staff-----

Jim Standaert
Marilyn Daumiller
Alan Peura

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 125.31 | 4.35 | 9.00 | 138.66 | 4.40 | 9.50 | 139.21 | 139.21 |
| Personal Services | 6,115,508 | 631,352 | 687,628 | 7,434,488 | 627,602 | 1,036,041 | 7,779,151 | 15,213,639 |
| Operating Expenses | 7,434,615 | 2,395,039 | 3,254,445 | 13,084,099 | 2,721,324 | 1,241,517 | 11,397,456 | 24,481,555 |
| Equipment | 76,335 | 5,000 | 100,463 | 181,798 | 0 | 50,463 | 126,798 | 308,596 |
| Local Assistance | 509,984,289 | 8,466,265 | 28,812,974 | 547,263,528 | 13,899,729 | 28,624,539 | 552,508,557 | 1,099,772,085 |
| Grants | 119,604,611 | 14,082,528 | 923,000 | 134,610,139 | 21,003,299 | 923,000 | 141,530,910 | 276,141,049 |
| Total Costs | \$643,215,358 | \$25,580,184 | \$33,778,510 | \$702,574,052 | \$38,251,954 | \$31,875,560 | \$713,342,872 | \$1,415,916,924 |
| General Fund | 514,085,061 | 8,713,666 | 33,252,322 | 556,051,049 | 14,164,535 | 31,160,010 | 559,409,606 | 1,115,460,655 |
| State/Other Special | 943,936 | 15,843 | 11,287 | 971,066 | 15,848 | 16,560 | 976,344 | 1,947,410 |
| Federal Special | 128,186,361 | 16,850,675 | 514,901 | 145,551,937 | 24,071,571 | 698,990 | 152,956,922 | 298,508,859 |
| Total Funds | \$643,215,358 | \$25,580,184 | \$33,778,510 | \$702,574,052 | \$38,251,954 | \$31,875,560 | \$713,342,872 | \$1,415,916,924 |

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) provides distribution of funding and services to Montana's school-age children and to teachers in approximately 450 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff also administers a number of federally-funded programs and provides a variety of information services.

Agency Highlights

| Office of Public Instruction Major Budget Highlights | |
|--|--|
| <p>The legislature increased funding by \$129.4 million over the doubled 2004 base in the 2007 biennium. Of this amount, \$87.3 million is general fund and \$42.1 million is federal funds. The legislature:</p> <ul style="list-style-type: none"> ◆ Increased base aid payments to schools by \$62.2 million general fund and \$4.2 million in the statutorily appropriated guarantee account through 4 main actions: <ul style="list-style-type: none"> • Funded statutory inflationary adjustments and enrollment changes • Increased the per student entitlement by \$100 per high school student and \$250 per elementary student • Instituted 3 year ANB averaging for entitlement payments • Allowed sharing of cash reappropriated between elementary and high schools in unified systems ◆ Added \$25.1 million general fund for other payments to schools <ul style="list-style-type: none"> • Fully funded all present law adjustments in special education, school facility payments, transportation payments, HB 124 block grants, and other • Increased payments for special education, school facility payments, secondary vo-ed, and gifted and talented • Funded Indian Education for All with \$3.4 million and 4.00 FTE, | |

including \$1.1 million for information sharing and \$2.3 million for curriculum development

- Appropriated all additional anticipated federal grants and other payments totaling \$42.1 million, including an additional 5.35 FTE and a new grant for homeland security
- Funded a new student education information database
- Provided retirement GTB increases of \$2.0 million to impact aid districts as a result of the passage of SB 333

Summary of Legislative Action

The legislature's budget for OPI increases \$129.4 million in the 2007 biennium as compared with the base budget. Of this amount \$87.3 million is general fund and \$42.1 million is federal funds.

The OPI administration budget increases \$12.8 million over the biennium compared with the base budget. Federal funds increase \$6.5 million in present law adjustments and a new proposal for education in homeland security. The increase in general fund is \$6.2 million for:

- Indian Education for All - \$2.3 million
- Student education information database - \$2.8 million
- Other adjustments - \$1.1 million

FTE for OPI is recommended to increase by 13.35, a net of 5.35 for federal employees, 4.0 for Indian Education for All, and 4.0 for the Student Education Information Data System.

OPI's distribution to schools program in the 2007 biennium increases by \$116.7 million, of which \$81.1 million is general fund and \$35.6 million is federal funds. In addition, there is expected to be an additional \$4.2 million in base aid coming from the guarantee fund, which is statutorily appropriated. The federal funds increase is entirely a present law adjustment except for \$546,000 for training in homeland security. The general fund increase in the distribution program in the 2007 biennium consists of the following:

- Present law and new proposal adjustments to base aid for inflation, student declines, increases in base aid due to entitlement increases of \$250 per ANB for elementary and \$100 per ANB for high school, three-year averaging of ANB, sharing of cash reappropriated between elementary and high school, and other bills impacting base aid – \$62.2 million general fund and \$4.2 million guarantee account
- Increases in special education of \$8.1 million
- School facility increases of \$4.3 million
- Secondary vo-ed and gifted and talented increases of \$0.8 million
- Indian Education for All grants to districts for information sharing with other districts - \$1.1 million
- Retirement GTB increases of \$2.0 million in impact aid districts
- Other present law adjustments for transportation, HB 124 block grants and other – \$2.6 million

The federal distribution to schools spending increases include:

- Special education by \$18.5 million.
- School foods program by \$9.9 million
- Elementary and Secondary Education Act (ESEA) program by \$6.8 million primarily for the 21st Century Program
- Homeland security training by \$546,000

Other Legislation

HB 63 – This bill increases the basic and per-ANB entitlements for both elementary and high school by 2.1 percent in FY 2006 and by 2.19 percent in FY 2007. HB 63 further increased per-ANB entitlements by \$250 for elementary and by \$100 for high school. In addition HB 63, allows elementary and high schools to share cash reappropriated beginning in FY 2007.

HB 83 – Under previous law, county superintendents pay K-12 tuition for a child who is placed in licensed foster care or group homes outside the student's district of residence by the state or a court. Tuition payments are deducted from countywide elementary or high school equalization accounts by the county before monies are remitted to the state.

Under HB 83, the Office of Public Instruction (OPI) will make payments to the school district of attendance. Districts will submit a claim (out-of-district attendance agreement) to OPI at the end of the year of attendance. OPI will make payments of approximately \$336,000 from a general fund appropriation in the year following attendance (FY 2007).

SB 48 – Beginning tax year 2006, SB 48 increases the threshold amount of class 8 property that an entity may own and be exempt from property taxation, from \$5,000 of market value to \$20,000. The reduction in property tax values from the increase in exemption in class 8 property taxable values will impact the state's obligation to fund the guaranteed tax base aid for school districts and counties. Property tax values decrease by 0.3% in FY 2007. There will be a one-year guaranteed tax base (GTB) cost spike of \$183,000 in FY 2007. The guarantee level is determined by the prior year taxable values applied against current year taxable values. The higher guarantee level in FY 2006 will apply to the lower taxable values in FY 2007 and cause increased state contribution as districts levy more mills to compensate for the drop in taxable values.

SB 276 - This bill replaces the net proceeds tax on bentonite with a production tax. Bentonite production will be taxed on the wet ton at varying rates based on the level of production. The drop in taxable values resulting from SB 276 causes the statewide taxable values to decrease by 0.3 percent, which will cause the statewide guarantee level for the guaranteed tax base aid to be reduced. Of the three districts that currently have taxable values from bentonite and get taxable value decreases from SB 276, two will see increases in state guaranteed tax base aid as the taxable value of the district will fall substantially. The state guaranteed tax base aid would only partially offset the loss in revenue to the school district.

Districts that do not have taxable values related to bentonite, and currently receive guaranteed tax base aid would receive approximately a 0.3% decrease in the amount of guaranteed tax base aid as the state guarantee level will be lower. Approximately 70% of school districts receive guaranteed tax base aid and would be affected by this small reduction.

The net savings to the state from reduced guaranteed tax base aid payments will be \$700 in FY 2006 and \$263,000 in FY 2007. The \$263,000 state savings will continue into future years.

SB 296 - Under the SB 296, land that is under one ownership and that is greater than 20 acres in size, but less than 160 acres in size, could become eligible for agricultural land classification contingent upon meeting the additional requirements provided in this bill. Typically these parcels of land are called "non-qualified agricultural land".

Under the SB 296, the 20 to 160 acre parcels of land that do not meet the minimum \$1,500 in agricultural related income produced by the land, may qualify as agricultural land if the owner: 1) submits proof that 51 percent of the owner's annual income is derived from agricultural production; 2) the property taxes are paid by a family corporation, family partnership, sole proprietorship or family trust involved in Montana agricultural production and 51 percent of the entity's Montana annual gross income is derived from agricultural production or; 3) the owner is a shareholder, partner, owner, or member of a family corporation, family partnership, sole proprietorship, or family trust that is involved in Montana agricultural production and 51 percent of the entity's Montana annual gross income is derived from agricultural production.

SB 296 is effective July 1, 2005 and the new ownership criteria will be effective in tax year 2006. The reduction in property tax values from SB 296 would impact the state's obligation to fund the guaranteed tax base aid for school districts and counties. Property tax values decrease by 0.03 percent in FY 2007. There will be a one-year guaranteed tax base (GTB) cost spike of \$21,200 in FY 2007.

SB 333 - In February 2005, the US District Court permanently enjoined the state from complying with Section 20-9-501, MCA (2004) as applied to school district employees paid with federal impact aid. The ruling also requires the state to reimburse, retroactive to July 1, 2004, Montana school districts for the retirement, social security and unemployment insurance costs of these employees in the same manner as if they were paid from state or local funding sources. The

retirement base aid estimates for the 2007 biennium that were developed before the session assumed that the state would save \$1 million per year due to payment of retirement costs by federal impact aid funds. Since this will no longer be the case, base aid costs for the 2007 biennium were increased by \$1 million per year.

Other bills that affected interest and income available for base aid in the guarantee account were HB 2 and HB 22. The impact of these bills combined affected general fund base aid by less than \$10,000 in the 2007 biennium.

SB 359 – Under current law, the state pays tuition for a student who is placed by a state agency or court in foster care or a group home in a school district other than the child's district of residence. Once a state-placed student turns 18 years old, he or she becomes a resident of the district where the student lives and so the state no longer pays tuition. Under SB 359, the state will continue to pay tuition for the remainder of the school year when a student turns 18 in the middle of a school year rather than stopping tuition when the student turns 18.

Under previous law, students who spent less than 2 hours per day in class were counted as 0.50 ANB. SB 359 allows a finer breakdown of ANB counts based on hours spent in the classroom. Students who are in class four hours or more are counted as a full ANB, as they were under previous law. Students who spend between 3 and 4 hours per day in class will be counted as 0.75 ANB. Students who spend between 2 and 3 hours per day in class will be counted as 0.50 ANB and students who spend between 1 and 2 hours per day in class will be counted as 0.25 ANB. The net result of these changes is a reduction in ANB.

Under SB 359, enrollment in a basic education program provided by a district at a site other than a school of the district may be included for ANB purposes only if the pupil is offered and is able to receive full access to the complete range of educational services required by accreditation standards. In FY 2004, there were 260 students counted who were offered and able to receive less than full access to a complete range of educational services and were counted as half-time for ANB purposes. Under SB 359, these students will not be counted for ANB.

School districts will offer distance-learning programs and will consequently enroll students who are currently not enrolled in public schools in Montana.

The general fund impact of SB 359 is expected to be a decrease in base aid costs of \$156,000 in FY 2007. The state increase in costs associated with long distance learning students counted in ANB are more than offset by the savings from allowing finer gradations in ANB counting due to hourly attendance.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|-------------------------|---------------------|-----------------------|-------------------------|----------------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 06 State Level Activities | \$ 15,085,172 | \$ 447,410 | \$ 24,513,810 | \$ 40,046,392 | 2.83% |
| 09 Local Education Activities | 1,100,375,483 | 1,500,000 | 273,995,049 | 1,375,870,532 | 97.17% |
| Grand Total | <u>\$ 1,115,460,655</u> | <u>\$ 1,947,410</u> | <u>\$ 298,508,859</u> | <u>\$ 1,415,916,924</u> | <u>100.00%</u> |

OPI has two programs, State Level Activities, more commonly known as OPI administration, and Local Education Activities, more commonly known as the distribution to schools program. OPI administration receives approximately 31 percent of its funding from the general fund and state special accounts. The remainder of the OPI administration program is funded by federal funds. The distribution to schools program is funded 80 percent with state funds and the remainder with federal funds. Administration is 2.8 percent of all funds requested and the remainder flows to school districts.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 125.31 | 136.66 | 137.66 | 1.00 | 137.21 | 138.21 | 1.00 | |
| Personal Services | 6,115,508 | 7,116,802 | 7,529,911 | 413,109 | 7,136,004 | 7,874,574 | 738,570 | 1,151,679 |
| Operating Expenses | 7,434,615 | 12,907,275 | 12,988,676 | 81,401 | 11,220,473 | 11,302,033 | 81,560 | 162,961 |
| Equipment | 76,335 | 181,798 | 181,798 | 0 | 126,798 | 126,798 | 0 | 0 |
| Local Assistance | 509,984,289 | 538,629,106 | 547,263,528 | 8,634,422 | 545,415,148 | 552,508,557 | 7,093,409 | 15,727,831 |
| Grants | 119,604,611 | 133,772,139 | 134,610,139 | 838,000 | 140,692,910 | 141,530,910 | 838,000 | 1,676,000 |
| Total Costs | \$643,215,358 | \$692,607,120 | \$702,574,052 | \$9,966,932 | \$704,591,333 | \$713,342,872 | \$8,751,539 | \$18,718,471 |
| General Fund | 514,085,061 | 546,602,305 | 556,051,049 | 9,448,744 | 551,365,617 | 559,409,606 | 8,043,989 | 17,492,733 |
| State/Other Special | 943,936 | 967,779 | 971,066 | 3,287 | 967,784 | 976,344 | 8,560 | 11,847 |
| Federal Special | 128,186,361 | 145,037,036 | 145,551,937 | 514,901 | 152,257,932 | 152,956,922 | 698,990 | 1,213,891 |
| Total Funds | \$643,215,358 | \$692,607,120 | \$702,574,052 | \$9,966,932 | \$704,591,333 | \$713,342,872 | \$8,751,539 | \$18,718,471 |

The general fund budget passed by the legislature exceeds the original Schweitzer budget by \$17.5 million. The difference is due to the following. The legislature:

- Adopted a subsequent Schweitzer proposal to institute three year averaging of ANB beginning in FY 2006; which increased base aid costs by \$13.9 million
- Added \$0.6 million in OPI agency for Indian Education for All and increases for the pay plan
- Added \$5.6 million in Base Aid by increasing the amount for high school per-ANB entitlements by \$50 above the Schweitzer proposal
- Added \$1.1 million in the distribution program for Indian Education for All
- Eliminated a proposal to reimburse districts for increasing the business tax exemption – savings of \$1.0 million
- Eliminated \$2.8 million in proposed increases in school facility payments.

In addition, the legislature increased federal funding for OPI by \$1.2 million, primarily for training in homeland security and the pay plan.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

“The Office of Public Instruction may distribute funds from the appropriation for instate treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5

All appropriations for federal special revenue programs in state level activities and in local education activities, and all general fund appropriations in local educational activities are biennial.

The office of public instruction shall include as a part of its work plan priorities for the next biennium the prevention of dropouts and the reduction of dropout rates in Montana's public schools and report on these efforts to the education and local government interim committee before September 1, 2006.

Base Aid will be decreased by \$183,000 in fiscal year 2007 if Senate Bill No. 48 is not passed and approved. Base Aid will be decreased in fiscal year 2006 by \$5,008 if House Bill No. 22 is not passed and approved. Base Aid will be decreased by \$21,200 in fiscal year 2007 if Senate Bill No. 296 is not passed and approved. Base Aid will be increased by \$700 in fiscal year 2006 and by \$263,400 id Senate Bill No. 276 is not passed and approved.”

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 125.31 | 4.35 | 9.00 | 138.66 | 4.40 | 9.50 | 139.21 | 139.21 |
| Personal Services | 6,115,508 | 631,352 | 687,628 | 7,434,488 | 627,602 | 1,036,041 | 7,779,151 | 15,213,639 |
| Operating Expenses | 7,432,791 | 2,394,863 | 3,254,445 | 13,082,099 | 2,721,148 | 1,241,517 | 11,395,456 | 24,477,555 |
| Equipment | 76,335 | 5,000 | 100,463 | 181,798 | 0 | 50,463 | 126,798 | 308,596 |
| Local Assistance | 19,301 | 4,000 | 0 | 23,301 | 4,000 | 0 | 23,301 | 46,602 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$13,643,935 | \$3,035,215 | \$4,042,536 | \$20,721,686 | \$3,352,750 | \$2,328,021 | \$19,324,706 | \$40,046,392 |
| General Fund | 4,452,922 | 243,552 | 3,789,348 | 8,485,822 | 260,957 | 1,885,471 | 6,599,350 | 15,085,172 |
| State/Other Special | 193,936 | 15,843 | 11,287 | 221,066 | 15,848 | 16,560 | 226,344 | 447,410 |
| Federal Special | 8,997,077 | 2,775,820 | 241,901 | 12,014,798 | 3,075,945 | 425,990 | 12,499,012 | 24,513,810 |
| Total Funds | \$13,643,935 | \$3,035,215 | \$4,042,536 | \$20,721,686 | \$3,352,750 | \$2,328,021 | \$19,324,706 | \$40,046,392 |

Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; and 3) provides assistance and information to school districts. The program administers all federal grants received by OPI, including: 1) curriculum assistance; 2) special education; 3) Elementary and Secondary Education Act (ESA)/No Child Left Behind (NCLB) administration; 4) secondary vocational education administration; and 5) other educational services.

Program Highlights

| OPI Administration Major Budget Highlights |
|---|
| <ul style="list-style-type: none"> ◆ The OPI administration budget increases \$12.8 million over the biennium compared with the base budget. Federal funds increase \$6.5 million in present law adjustments and a new proposal for education in homeland security. The increase in general fund is \$6.2 million for: <ul style="list-style-type: none"> • Indian Education for All - \$2.3 million • Student Education Information Database - \$2.8 million • Other adjustments - \$1.1 million ◆ FTE for OPI is recommended to increase by 13.35, a net of 5.35 for federal employees, 4.0 for Indian Education for All, and 4.0 for the Student Education Information Data System |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|------------------------|----------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| State Level Activities | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 4,452,922 | 32.6% | \$ 8,485,822 | 41.0% | \$ 6,599,350 | 34.1% |
| | 01100 General Fund | 4,452,922 | 32.6% | 8,485,822 | 41.0% | 6,599,350 | 34.1% |
| 02000 | Total State Special Funds | 193,936 | 1.4% | 221,066 | 1.1% | 226,344 | 1.2% |
| | 02001 School Lunch Program | 84,678 | 0.6% | 103,336 | 0.5% | 108,611 | 0.6% |
| | 02402 Traffic & Safety Education | 109,258 | 0.8% | 109,730 | 0.5% | 109,733 | 0.6% |
| | 02618 Prof Educator Prep Program | - | - | 8,000 | 0.0% | 8,000 | 0.0% |
| 03000 | Total Federal Special Funds | 8,997,077 | 65.9% | 12,014,798 | 58.0% | 12,499,012 | 64.7% |
| | 03002 Public Instruction | 8,997,077 | 65.9% | 12,014,798 | 58.0% | 12,499,012 | 64.7% |
| Grand Total | | \$ 13,643,935 | 100.0% | \$ 20,721,686 | 100.0% | \$ 19,324,706 | 100.0% |

State Level Activities Program is funded with a combination of general fund, state special revenue funds from commodities and cooperative purchasing, federal funds from a variety of grant sources, and proprietary funds from advanced drivers education.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|--------------------|-------------|--------------|---------------|-----------------|--------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 680,090 | | | | | 674,854 |
| Vacancy Savings | | | | (267,439) | | | | | (267,236) |
| Inflation/Deflation | | | | (4,295) | | | | | (4,132) |
| Fixed Costs | | | | 15,980 | | | | | 18,407 |
| Total Statewide Present Law Adjustments | | | | \$424,336 | | | | | \$421,893 |
| DP 12 - Provide Funding for Surplus Computers for Schools | | | | | | | | | |
| 0.25 | 38,822 | 0 | 0 | 38,822 | 0.25 | 33,808 | 0 | 0 | 33,808 |
| DP 13 - Education Licensure Increased costs | | | | | | | | | |
| 0.00 | 3,540 | 0 | 0 | 3,540 | 0.00 | 3,540 | 0 | 0 | 3,540 |
| DP 16 - Audiology | | | | | | | | | |
| 0.00 | 22,883 | 0 | 0 | 22,883 | 0.00 | 34,477 | 0 | 0 | 34,477 |
| DP 18 - Statewide Student Assessment - Biennial | | | | | | | | | |
| 0.00 | 29,250 | 0 | 0 | 29,250 | 0.00 | 43,250 | 0 | 0 | 43,250 |
| DP 26 - Growth in Commodities and Cooperative Purchasing | | | | | | | | | |
| 0.00 | 0 | 15,000 | 0 | 15,000 | 0.00 | 0 | 15,000 | 0 | 15,000 |
| DP 27 - Federal Grant Increases | | | | | | | | | |
| 5.70 | 0 | 0 | 2,457,751 | 2,457,751 | 5.70 | 0 | 0 | 2,755,494 | 2,755,494 |
| DP 29 - Indirect Cost of Base Adjustments | | | | | | | | | |
| 0.00 | 40,877 | 843 | 51,651 | 93,371 | 0.00 | 40,336 | 848 | 51,769 | 92,953 |
| DP 30 - Statewide FTE Reduction | | | | | | | | | |
| (1.60) | (49,738) | 0 | 0 | (49,738) | (1.55) | (47,665) | 0 | 0 | (47,665) |
| Total Other Present Law Adjustments | | | | | | | | | |
| 4.35 | \$85,634 | \$15,843 | \$2,509,402 | \$2,610,879 | 4.40 | \$107,746 | \$15,848 | \$2,807,263 | \$2,930,857 |
| Grand Total All Present Law Adjustments | | | | \$3,035,215 | | | | | \$3,352,750 |

DP 12 - Provide Funding for Surplus Computers for Schools - OPI began administering this program with existing staff and resources after it was authorized by the 1999 Legislature (18-6-101, MCA). As a result of growth in this program, the

legislature increased an existing 0.25 FTE to a 0.50 FTE, providing storage space, supplies, phone and internet service to the storage facility, and providing funding to lease or purchase, operate and maintain, an older model vehicle for hauling computers from a state agency to the storage facility. The general fund cost for these increases is \$38,822 in FY 2006 and \$33,808 in FY 2007.

DP 13 - Education Licensure Increased costs - The legislature added \$3,540 general fund in each year of the 2007 biennium for increased costs associated with scanning education licenses, conducting fingerprint-based background checks for initial applicants for an educator license, and for additional mailings to educators.

DP 16 - Audiology - Current contracts for the audiological program total \$355,156. In order to maintain contractor participation, the legislature provided a 3 percent increase per year. A 3 percent increase totals \$22,883 in FY 2006 and \$34,477 in FY 2007.

Under the Individuals With Disabilities Education Act (IDEA), schools are required to have an effective child-find system in place for individuals with disabilities birth through 21. The Hearing Conservation Program is the primary method in which public schools identify students who may have a hearing impairment.

DP 18 - Statewide Student Assessment - Biennial - This addition funds the increased costs associated with the Office of Public Instruction's contract with Riverside Publishing Company for administration of the Iowa Test of Basic Skills (ITBS) in grades 4 and 8, and the Iowa Test of Educational Development (ITED) in grade 11. The statewide student assessment is required by the Administrative Rules of the Board of Public Education for the accreditation of schools for grades 4, 8, and 11. The present law base for the statewide student assessment is \$253,250 general fund. Riverside Publishing Company, which currently has the contract, has provided a price quote of \$278,000 for FY 2006 and \$292,000 for FY 2007. The present law adjustment for FY 2006 is \$29,250 and for FY 2007 is \$43,250 general fund.

DP 26 - Growth in Commodities and Cooperative Purchasing - This increase of \$15,000 in state special spending authority for the commodities and cooperative purchasing budget from the current \$85,000 to \$100,000 for each year of the new biennium is the result of growing use of the program by private and public entities.

The increased spending authority will be used to cover the following: an increase in the amount of commodity foods to be allocated resulting in increased food storage and transportation costs for non-public schools and private residential child care institutions; and increased project costs for the cooperative food purchasing program (specifically, travel and meeting expenses of a newly developed committee of local school personnel that provides input on ordering and processing preferences for foods that are to be available on the state bid.)

DP 27 - Federal Grant Increases - This \$5.2 million increase in federal spending authority for grant awards currently administered by the Office of Public Instruction is due to normal increases in federal funding. These funds are used to support the administration of current federal grants and to provide technical assistance to sub-grantees (districts and cooperatives). This is a biennial appropriation.

DP 29 - Indirect Cost of Base Adjustments - The legislature adds appropriation authority for the indirect cost portion of the general fund, state special revenue fund and federal funds statewide level base adjustments. The general fund requirement is \$81,000 over the biennium. In addition to providing central services within the agency, these adjustments fund increases in statewide cost assessments for the legislative audit, SABHRS costs, a portion of the increases in rent, and others.

DP 30 - Statewide FTE Reduction - This decision package implements an FTE reduction equivalent to the reductions taken in the 2003 legislative session. This 1.60 FTE and \$49,000 general fund per year would be removed from the budget permanently.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|--------------------|-----------------|------------------|--------------------|-------------|--------------------|-----------------|------------------|--------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | Total Funds |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | |
| DP 17 - Educator Preparation Unit Reviews | | | | | | | | | | |
| 06 | 0.00 | 0 | 8,000 | 0 | 8,000 | 0.00 | 0 | 8,000 | 0 | 8,000 |
| DP 53 - Gifted and Talented Assistance | | | | | | | | | | |
| 06 | 0.00 | 0 | 0 | 0 | 0 | 0.50 | 43,917 | 0 | 0 | 43,917 |
| DP 54 - Audiology equipment - Restricted/OTO | | | | | | | | | | |
| 06 | 0.00 | 85,000 | 0 | 0 | 85,000 | 0.00 | 85,000 | 0 | 0 | 85,000 |
| DP 60 - Indian Education for All | | | | | | | | | | |
| 06 | 3.00 | 1,155,423 | 0 | 0 | 1,155,423 | 3.00 | 1,155,423 | 0 | 0 | 1,155,423 |
| DP 62 - Student Education Information Data System-OTO | | | | | | | | | | |
| 06 | 4.00 | 2,455,026 | 0 | 0 | 2,455,026 | 4.00 | 370,974 | 0 | 0 | 370,974 |
| DP 70 - National Board Certif Stipends-Restricted/Biennial | | | | | | | | | | |
| 06 | 0.00 | 6,000 | 0 | 0 | 6,000 | 0.00 | 6,000 | 0 | 0 | 6,000 |
| DP 74 - Homeland Security Grant | | | | | | | | | | |
| 06 | 1.00 | 0 | 0 | 127,000 | 127,000 | 1.00 | 0 | 0 | 127,000 | 127,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 06 | 0.00 | 87,899 | 3,287 | 114,901 | 206,087 | 0.00 | 224,157 | 8,560 | 298,990 | 531,707 |
| Total | 8.00 | \$3,789,348 | \$11,287 | \$241,901 | \$4,042,536 | 8.50 | \$1,885,471 | \$16,560 | \$425,990 | \$2,328,021 |

DP 17 - Educator Preparation Unit Reviews - The legislature added \$16,000 state special authority to spend the funds paid by campuses of the Montana institutions of higher education for review of educator preparation programs. Programs are reviewed for compliance with the teacher preparation standards adopted by the Board of Public Education. Fees charged for this service are a flat fee of \$500 per campus, plus \$50 for each program to be reviewed.

DP 53 - Gifted and Talented Assistance - An increase of 0.5 FTE and \$43,917 general fund is added to the Office of Public Instruction staff in FY 2007 to assist districts in providing gifted and talented education to students throughout the state with technical assistance and support.

DP 54 - Audiology equipment - Restricted/OTO - Replacement of the equipment used to test the hearing of students across the state is requested. Much of the current equipment is beyond its useful life. This \$170,000 general fund one-time-only appropriation will be used to ensure that all equipment used in the state will be functional and up to date.

DP 60 - Indian Education for All - The legislature adds a general fund appropriation of \$1,155,423 annually and 4.00 FTE to respond to the state's constitutional and statutory obligations to "learn about the distinct and unique cultural heritage of American Indians".

The goals of the Indian Education office are to: 1) assure that American Indian students and communities receive quality and equitable education; and 2) assure that all students leave the public school system with an understanding of the rich history and contemporary issues of Montana's Indians. The scope of the Indian Education office staffing and activities related to implementing Indian Education for All include, but are not limited to:

- Development of research-based curricular materials and teaching strategies for Indian Education for All
- Development of model curriculum that fulfills the requirements of Indian Education for All and is integrated into the nine academic subject areas addressed in the Montana School Accreditation Standards
- Development and implementation of a comprehensive plan for professional development for implementing Indian Education for All
- Infusion of Indian Education for All into current content and performance standards
- Scholarship and fellowship opportunities for graduate students to conduct research relevant to Indian Education and Indian Education for All in Montana
- Educational grants to classroom teachers and tribal college personnel to develop curriculum materials or professional development training for Indian Education for All

- Regular meetings of the Montana Advisory Council on Indian Education (MACIE) to provide policy advice to the State Superintendent of schools and the Board of Public Education
- Two specialists and an administrative assistant to support the expanded role of the office

The legislature added an additional \$310,846 for the 2007 biennium for the following: 1) 1.00 FTE for an Indian education specialist to administer grant programs, including benefits and insurance for the biennium; 2) attendance by OPI personnel at a best practices conference; 3) additional travel for attendance at the Montana Advisory Council on Indian Education (MACIE); 4) a public education campaign regarding Indian Education for All Montana to create awareness about the program; and 5) OPI indirect costs of 17.3 percent.

DP 62 - Student Education Information Data System-OTO - The legislature added a biennial general fund appropriation of \$2,826,000 for the development of a comprehensive education information system to be used by K-12 public schools and the Office of Public Instruction.

The system will be used to:

- Provide information about student achievement and progress toward standards
- Enable local districts to benchmark their own educational programs
- Allow parents and community members to learn more about their schools
- Assist policymakers in understanding the relationship among education policies, strategies and outcomes
- Maintain an effective method of transferring and accessing accurate and timely educational information among school districts and the educational community
- Allow OPI to deliver relevant information to users in a timely and reliable manner
- Improve the ability of researchers to study trends for school improvement
- Improve the state's ability to collect and report state and federal mandated data
- Interact with data systems at the Office of the Commissioner of Higher Education and programs in the workforce development arena (including Department of Labor, Workforce Investment, Department of Revenue, Adult Basic and Literacy Education, and Temporary Assistance for Needy Families)

The addition includes 4.0 FTE, including a project manager, database administrator, a data resource administrator, and a student record system manager.

Also included is funding for a contract with an education software vendor and funding for development of web service architecture.

DP 70 - National Board Certif Stipends-Restricted/Biennial - The legislature funded payment of stipends in the amount of \$3,000 per teacher to Montana teachers who achieve certification from the National Board for Professional Teaching Standards. OPI estimates that 15 teachers will be eligible in FY 2007. OPI's base budget includes \$24,000 for stipends.

DP 74 - Homeland Security Grant - The Homeland Security Grant Program is funded by the Corporation for National and Community Service. The objective of the grant is to enhance the safety and security of schools and communities through the Citizen Preparedness through Youth Leadership project. Funds will be used to administer sub grants awarded to six selected schools with service-learning history. Training will be provided to assist students and adults to engage in volunteer service-learning activities that strengthen existing disaster response infrastructures, build linkages between schools and homeland security initiatives. Replicable rural homeland security models will be developed and disseminated. The effectiveness of this grant project will be evaluated by outside evaluators.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Language

The legislature approved the following language for inclusion in HB2:

"All appropriations for federal special revenue programs in state level activities and in local education activities, and all general fund appropriations in local educational activities are biennial."

Proprietary Program Description

OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program - This is a seasonal hands-on behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, Montana Department of Transportation employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

Proprietary Revenues and Expenses**Revenue Description**

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed \$910,384 towards the cost of "indirects"; general and other state-funded programs contributed \$633,534.

Expense Description

Costs of OPI operations that are paid from the indirect cost pool include:

- Termination payouts (vacation/comp time/sick leave) for all staff (except the state superintendent and her personal staff)
- Services provided to OPI by other state agencies for a fee
- Depart. of Admin. (DofA) general liability insurance and employee bonds
- DofA warrant writing fees
- DofA payroll Service fees
- DofA telephone equipment charges
- DofA rent charge for common areas (bathrooms, halls, conference rooms)
- Legislative audit fees
- DofA network service fees
- Fish, Wildlife and Parks grounds maintenance fee
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.15 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

Working Capital Discussion

Working capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

Fund Equity and Reserved Fund Balance

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

Revenue Description

Revenues are generated from workshop fees collected from participants in the program and from other track users for the use of the facility. Typically the program services 450-550 participants a season. The current fee is \$225 for full-day workshop per person and \$135 for a half-day. There will be anticipated growth in services to participants of 10 percent. This increase is due to an agreement with MDT to conduct a teen research project. It is also expected to see modest growth in other users of the track who pay for its use.

Expense Description

Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses; classroom and track supplies; track lease; program advertising; administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Unexpected increases in fuel costs this last year consumed the revenue projected to support periodic capital and maintenance costs. It is anticipated that an increase in fees is needed to keep abreast of inflation.

Working Capital Discussion

This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four grade 16 instructors for each workshop (10 - 11 hours per day each). A director (.15) and a program specialist (.125) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Fund Equity and Reserved Fund Balance

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and carryover of revenues from year to year an amount of approximately 10 - 20 percent of its annual budget.

Proprietary Rate Explanation

OPI negotiates a three-year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The rate approved for FY 2005 through 2007 is 17.3 percent.

Advance Driver Education-

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets. Facility use rates are fixed rates that reflect a share of facility costs to lease and maintain track and buildings.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 1,824 | 176 | 0 | 2,000 | 176 | 0 | 2,000 | 4,000 |
| Local Assistance | 509,964,988 | 8,462,265 | 28,812,974 | 547,240,227 | 13,895,729 | 28,624,539 | 552,485,256 | 1,099,725,483 |
| Grants | 119,604,611 | 14,082,528 | 923,000 | 134,610,139 | 21,003,299 | 923,000 | 141,530,910 | 276,141,049 |
| Total Costs | \$629,571,423 | \$22,544,969 | \$29,735,974 | \$681,852,366 | \$34,899,204 | \$29,547,539 | \$694,018,166 | \$1,375,870,532 |
| General Fund | 509,632,139 | 8,470,114 | 29,462,974 | 547,565,227 | 13,903,578 | 29,274,539 | 552,810,256 | 1,100,375,483 |
| State/Other Special | 750,000 | 0 | 0 | 750,000 | 0 | 0 | 750,000 | 1,500,000 |
| Federal Special | 119,189,284 | 14,074,855 | 273,000 | 133,537,139 | 20,995,626 | 273,000 | 140,457,910 | 273,995,049 |
| Total Funds | \$629,571,423 | \$22,544,969 | \$29,735,974 | \$681,852,366 | \$34,899,204 | \$29,547,539 | \$694,018,166 | \$1,375,870,532 |

Program Description

The Local Education Activities program is used by OPI to distribute various state and federal funds to local education agencies.

Program Highlights

Office Of Public Instruction
Local Education Activities – Distribution to Schools Program
Major Budget Highlights

OPI's distribution to schools program in the 2007 biennium increases by \$116.7 million, of which \$81.1 million is general fund and \$35.6 million is federal funds. In addition, there is expected to be an additional \$4.2 million base aid coming from the guarantee fund, which is statutorily appropriated. The federal funds increase is entirely a present law adjustment except for \$546,000 for training in homeland security. The general fund increase in the distribution program in the 2007 biennium consists of the following:

- ◆ Present law and new proposal adjustments to base aid for inflation, student declines, increases in base aid due to entitlement increases of \$250 per ANB for elementary and \$100 per ANB for high school, three-year averaging of ANB, sharing of cash reappropriated between elementary and high school, and other bills impacting base aid – \$62.2 million general fund and \$4.2 million guarantee account.
- ◆ Increases in special education of \$8.1 million.
- ◆ School facility increases of \$4.3 million.
- ◆ Secondary vo-ed and gifted and talented increases of \$0.8 million.
- ◆ Indian Education For All grants to districts for information sharing with other districts - \$1.1 million.
- ◆ Retirement GTB increases of \$2.0 million in impact aid districts
- ◆ Other present law adjustments for transportation, HB 124 block grants and other– \$2.6 million

The federal distribution to schools spending increases include:

- ◆ Special education by \$18.5 million.

- ◆ School foods program of \$9.9 million
- ◆ Elementary and Secondary Education Act (ESEA) program by \$6.8 million primarily for the 21st Century Program
- ◆ Homeland security training - \$546,000.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|-------------------------------------|----------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Local Education Activities | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 509,632,139 | 80.9% | \$ 547,565,227 | 80.3% | \$ 552,810,256 | 79.7% |
| | 01100 General Fund | 509,632,139 | 80.9% | 547,565,227 | 80.3% | 552,810,256 | 79.7% |
| 02000 | Total State Special Funds | 750,000 | 0.1% | 750,000 | 0.1% | 750,000 | 0.1% |
| | 02402 Traffic & Safety Education | 750,000 | 0.1% | 750,000 | 0.1% | 750,000 | 0.1% |
| 03000 | Total Federal Special Funds | 119,189,284 | 18.9% | 133,537,139 | 19.6% | 140,457,910 | 20.2% |
| | 03170 Grant Clearance Discretionary | 119,189,284 | 18.9% | 133,537,139 | 19.6% | 140,457,910 | 20.2% |
| Grand Total | | \$ 629,571,423 | 100.0% | \$ 681,852,366 | 100.0% | \$ 694,018,166 | 100.0% |

State Level Activities Program is funded with a combination of general fund, state special revenue funds from advanced drivers training, and federal funds from a variety of grant sources.

ANB

Average Number Belonging (ANB) is the number of children funded in the distribution to schools program. Figure 1 shows historical and projected ANB for the 2007 biennium.

| Figure 1 Average Number Belonging (ANB) in Montana Schools | | | | | | | |
|---|-------------|------------|-------------------|-------------|-------------------|---------|-------------------|
| | Fiscal Year | Elementary | Percent Change | High School | Percent Change | Total | Percent Change |
| Actual & Present Law | | | | | | | |
| A | 1996 | 114,697 | | 49,043 | | 163,740 | |
| A | 1997 | 114,093 | -0.5% | 50,586 | 3.1% | 164,679 | 0.6% |
| A | 1998 | 112,442 | -1.4% | 51,432 | 1.7% | 163,874 | -0.5% |
| A | 1999 | 109,852 | -2.3% | 51,885 | 0.9% | 161,737 | -1.3% |
| A | 2000 | 107,731 | -1.9% | 52,025 | 0.3% | 159,756 | -1.2% |
| A | 2001 | 105,968 | -1.6% | 51,507 | -1.0% | 157,475 | -1.4% |
| A | 2002 | 103,627 | -2.2% | 50,794 | -1.4% | 154,421 | -1.9% |
| A | 2003 | 101,140 | -2.4% | 50,357 | -0.9% | 151,497 | -1.9% |
| A | 2004 | 99,465 | -1.7% | 50,003 | -0.7% | 149,468 | -1.3% |
| A | 2005 | 98,185 | -1.3% | 49,422 | -1.2% | 147,607 | -1.2% |
| E | 2006 | 96,460 | -1.8% | 49,283 | -0.3% | 145,743 | -1.3% |
| E | 2007 | 95,175 | -1.3% | 48,738 | -1.1% | 143,913 | -1.3% |
| 3 - Year | 2006 | 98,757 | 0.6% | 49,999 | 1.2% | 148,756 | 0.8% |
| 3 - Year | 2007 | 96,860 | -1.9% | 49,294 | -1.4% | 146,154 | -1.7% |

Beginning in fiscal 1995, ANB includes students who spend more than 1/2 day in special education class.

The legislature in HB 63 during the 2005 session allowed districts to count three-year averages of district ANB beginning in FY 2006. Also shown in the chart are three-year average ANB counts upon which the BASE Aid estimates are built.

Figure 2 provides a more detailed summary of the 2007 biennium appropriations.

Figure 2

Distribution to Schools, General Fund, State Special, and Federal Funds

| Description | Base Budget 2004 | PL Base Adjustments Fiscal 2006 | New Proposals Fiscal 2006 | Total Fiscal 2006 | PL Base Adjustments Fiscal 2007 | New Proposals Fiscal 2007 | Total Fiscal 2007 |
|--|------------------------|---------------------------------------|---------------------------------|----------------------|---------------------------------------|---------------------------------|----------------------|
| General Fund | | | | | | | |
| Direct State Aid | \$275,803,071 | \$6,061,843 | \$16,126,452 | \$297,991,366 | \$9,499,752 | \$14,621,842 | \$299,924,665 |
| GTB - School General Fund | 102,899,850 | 1,733,881 | \$6,841,455 | 111,475,186 | 2,534,189 | \$7,140,103 | 112,574,142 |
| GTB - School Retirement | 23,585,922 | -2,067,820 | \$1,469,670 | 22,987,772 | -1,357,211 | \$1,645,030 | 23,873,741 |
| Special Education | 34,867,755 | 1,535,812 | 2,102,555 | 38,506,122 | 1,535,812 | 2,944,722 | 39,348,289 |
| Transportation | 12,042,550 | 100,000 | 0 | 12,142,550 | 200,000 | 0 | 12,242,550 |
| School Facility Reimbursement | 8,270,735 | 140,558 | 1,987,842 | 10,399,135 | 140,558 | 1,987,842 | 10,399,135 |
| Instate Treatment | 778,794 | 196,102 | | 974,896 | 196,102 | | 974,896 |
| Secondary Vo Ed | 715,000 | 0 | 285,000 | 1,000,000 | 0 | 285,000 | 1,000,000 |
| Adult Basic Ed | 275,000 | 0 | 0 | 275,000 | 0 | 0 | 275,000 |
| Gifted & Talented | 142,151 | 7,849 | 100,000 | 250,000 | 7,849 | 100,000 | 250,000 |
| School Food | 648,653 | 0 | 0 | 648,653 | 0 | 0 | 648,653 |
| Other | 144,100 | 7,256 | 0 | 151,356 | 10,270 | 0 | 154,370 |
| HB 124 Block Grants | 49,458,558 | 754,633 | 0 | 50,213,191 | 1,136,257 | 0 | 50,594,815 |
| Indian Education For All | 0 | 0 | 550,000 | 550,000 | 0 | 550,000 | 550,000 |
| Total General Fund | \$509,632,139 | \$8,470,114 | \$29,462,974 | \$547,565,227 | \$13,903,578 | \$29,274,539 | \$552,810,256 |
| State Special Revenue | | | | | | | |
| Traffic Safety Distribution | \$750,000 | \$0 | \$0 | \$750,000 | \$0 | \$0 | \$750,000 |
| Total State Special | \$750,000 | \$0 | \$0 | \$750,000 | \$0 | \$0 | \$750,000 |
| Federal Special Revenue | | | | | | | |
| Federal School Foods Programs | \$20,655,534 | \$3,700,000 | \$0 | \$24,355,534 | \$6,150,000 | \$0 | \$26,805,534 |
| ESEA - Title I | 41,837,295 | 500,000 | 0 | 42,337,295 | 500,000 | 0 | 42,337,295 |
| ESEA Title II - Teacher & Principal Training | 15,684,664 | 675,000 | 0 | 16,359,664 | 675,000 | 0 | 16,359,664 |
| ESEA Title III-Language Acquisition | 514,494 | 0 | 0 | 514,494 | 0 | 0 | 514,494 |
| ESEA Title IV Drug Free & 21 st Cent Schools | 4,304,061 | 2,200,000 | 0 | 6,504,061 | 2,200,000 | 0 | 6,504,061 |
| ESEA Title V & VI - Innovative Ed & Rural | 2,199,786 | 0 | 0 | 2,199,786 | 0 | 0 | 2,199,786 |
| ESEA Title X - Ed of Homeless Children | 173,500 | 0 | 0 | 173,500 | 0 | 0 | 173,500 |
| IDEA | 27,706,176 | 6,999,855 | 0 | 34,706,031 | 11,470,626 | 0 | 39,176,802 |
| Adult Basic Education | 1,239,214 | 0 | 0 | 1,239,214 | 0 | 0 | 1,239,214 |
| Carl Perkins | 3,135,477 | 0 | 0 | 3,135,477 | 0 | 0 | 3,135,477 |
| Learn and Serve Montana | 30,462 | 0 | 0 | 30,462 | 0 | 0 | 30,462 |
| Emergency School Renovation | 312,804 | 0 | 0 | 312,804 | 0 | 0 | 312,804 |
| Reading Excellence | 1,395,816 | 0 | 0 | 1,395,816 | 0 | 0 | 1,395,816 |
| Homeland Security | 0 | 0 | 273,000 | 273,000 | 0 | 273,000 | 273,000 |
| Total Federal Special | \$119,189,284 | \$14,074,855 | \$273,000 | \$133,537,139 | \$20,995,626 | \$273,000 | \$140,457,910 |
| Funding | | | | | | | |
| Total General Fund | \$509,632,139 | \$8,470,114 | \$29,462,974 | \$547,565,227 | \$13,903,578 | \$29,274,539 | \$552,810,256 |
| Total State Special | 750,000 | 0 | 0 | 750,000 | 0 | 0 | 750,000 |
| Total Federal Special | 119,189,284 | 14,074,855 | 273,000 | 133,537,139 | 20,995,626 | 273,000 | 140,457,910 |
| Total Distribution to Public Schools | \$629,571,423 | \$22,544,969 | \$29,735,974 | \$681,852,366 | \$34,899,204 | \$29,547,539 | \$694,018,166 |
| Statutory Appropriations | | | | | | | |
| Guarantee Account - Interest & Income | \$47,257,759 | \$2,315,417 | \$0 | \$49,573,176 | \$1,861,193 | \$0 | \$49,118,952 |
| Guarantee Account - Timber | 0 | 1,700,000 | 0 | 1,700,000 | 1,700,000 | 0 | 1,700,000 |
| Total Statutory | \$47,257,759 | \$4,015,417 | \$0 | \$51,273,176 | \$3,561,193 | \$0 | \$50,818,952 |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|-------------|--------------|---------------|-----------------|--------------|-------------|--------------|---------------|-----------------|--------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - K-12 BASE Aid | 0.00 | 5,727,904 | 0 | 0 | 5,727,904 | 0.00 | 10,676,730 | 0 | 0 | 10,676,730 |
| DP 5 - Special Education Increase to FY 2005 level | 0.00 | 1,535,812 | 0 | 0 | 1,535,812 | 0.00 | 1,535,812 | 0 | 0 | 1,535,812 |
| DP 19 - Transportation Aid - Increased State Obligation | 0.00 | 100,000 | 0 | 0 | 100,000 | 0.00 | 200,000 | 0 | 0 | 200,000 |
| DP 20 - School Facility Reimbursement | 0.00 | 140,558 | 0 | 0 | 140,558 | 0.00 | 140,558 | 0 | 0 | 140,558 |
| DP 22 - School Block Grants | 0.00 | 754,633 | 0 | 0 | 754,633 | 0.00 | 1,136,257 | 0 | 0 | 1,136,257 |
| DP 23 - School District Audit Filing Fee | 0.00 | 7,256 | 0 | 0 | 7,256 | 0.00 | 10,270 | 0 | 0 | 10,270 |
| DP 25 - Biennial Appropriations | 0.00 | 203,951 | 0 | 0 | 203,951 | 0.00 | 203,951 | 0 | 0 | 203,951 |
| DP 28 - Increasing Federal authority to anticipated level | 0.00 | 0 | 0 | 14,074,855 | 14,074,855 | 0.00 | 0 | 0 | 20,995,626 | 20,995,626 |
| Total Other Present Law Adjustments | 0.00 | \$8,470,114 | \$0 | \$14,074,855 | \$22,544,969 | 0.00 | \$13,903,578 | \$0 | \$20,995,626 | \$34,899,204 |
| Grand Total All Present Law Adjustments | | | | | \$22,544,969 | | | | | \$34,899,204 |

DP 1 - K-12 BASE Aid - This addition funds the K-12 BASE Aid present law adjustment as defined by Section 20-9-326, MCA and adjusted for available guarantee fund revenue. It includes inflation on the basic and per-ANB entitlements and changes in enrollment. The inflator for FY 2006 (calculated using CPI-Urban indexes for July 2000 and July 2003) is 2.10 percent. The inflator for FY 2007 (calculated using CPI-Urban indexes for July 2001 and July 2004) is 2.19 percent. ANB (number of students) are anticipated to decline 1.5 percent in FY 2006 and 1.2 percent in FY 2007.

An anticipated increase in the guarantee fund revenues of \$0.6 million in FY 2006 and \$0.4 million in FY 2007 offsets increases in general fund by a like amount. The net increase in general fund cost is \$5.7 million in FY 2006 and \$10.7 million in FY 2007. The total \$16.4 million is a biennial appropriation.

DP 5 - Special Education Increase to FY 2005 level - Special education services to students with disabilities - State and federal laws require schools to provide these services. The Individuals with Disabilities Education Act (IDEA) includes a provision in 34 CFR 300.154(b) that requires state maintenance of fiscal effort. If state appropriations decline from one year to the next, federal funding to the state is reduced dollar for dollar to the amount of the reduction in state funds.

The amount of special education dollars spent in FY 2004 was \$34,900,310, and the amount appropriated for FY 2005 was \$36,436,122 for a difference of \$1,535,812 per year. This is the amount added to the base special education appropriation for FY 2006 and 2007. This is a biennial appropriation.

DP 19 - Transportation Aid - Increased State Obligation - An increase in the state obligation for school district on - schedule transportation costs is anticipated to increase by \$100,000 in FY 2006 and FY 2007. Increased costs are primarily due to changes in the number of bus miles and the size of the buses approved by the county school transportation committee. This is a biennial appropriation.

DP 20 - School Facility Reimbursement - To promote safe school facilities and as a measure of taxpayer fairness, Montana has established a statutory formula for providing state payments to low property tax wealth school districts to assist with debt service payments on school bonds. The state school facility reimbursement expenditure in the base year was \$8,270,735. In FY 2005 the amount available to distribute is \$8,411,293, for a difference of \$140,588 per year. The increase to the FY 2005 level is a present law adjustment. This is a biennial appropriation.

DP 22 - School Block Grants - 20-9-630 and 632, MCA provides for an annual 0.76 percent increase in the county transportation and school district block grants. These block grants originated from HB 124 of the 2001 legislative session and are intended to replace former local sources of revenue to school districts with state general fund. This is a biennial appropriation.

DP 23 - School District Audit Filing Fee - This increase in general fund authority for school district audit filing fees of \$7,256 in FY 2006 and \$10,270 in FY 2007 is to allow OPI to pay school district audit filing. Payment of this fee from OPI to the Department of Administration is required by 2-7-514(2), MCA. This increase assumes school district revenues will increase 3 percent each year. Base year expenditures are \$144,000. This is a biennial appropriation.

DP 25 - Biennial Appropriations - This \$203,951 per year present law adjustment establishes biennial appropriations in each year at half of the amount appropriated for the 2005 biennium. In the base year each of these appropriations spent less than half of the biennial appropriation. The increase maintains the present law amounts. The biennial appropriations include:

- o Instate treatment - \$1,949,792
- o Secondary Vo-ed - \$1,430,000
- o Adult Basic Ed - \$550,000
- o Gifted and Talented - \$300,000
- o School Foods - \$1,297,306

DP 28 - Increasing Federal authority to anticipated level - This \$35 million biennial adjustment in federal spending authority for grant awards currently administered by the Office of Public Instruction adjusts appropriations to the anticipated level of federal revenue. This is a biennial appropriation.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|---------------------|---------------|------------------|---------------------|-------------|---------------------|---------------|------------------|---------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6 - Special Education Increase | | | | | | | | | | |
| 09 | 0.00 | 885,593 | 0 | 0 | 885,593 | 0.00 | 1,805,015 | 0 | 0 | 1,805,015 |
| DP 21 - Additional School Facility Reimbursement | | | | | | | | | | |
| 09 | 0.00 | 1,000,000 | 0 | 0 | 1,000,000 | 0.00 | 1,000,000 | 0 | 0 | 1,000,000 |
| DP 50 - Additional funding - Gifted and Talented | | | | | | | | | | |
| 09 | 0.00 | 100,000 | 0 | 0 | 100,000 | 0.00 | 100,000 | 0 | 0 | 100,000 |
| DP 51 - Additional funding - Career & Technical Education | | | | | | | | | | |
| 09 | 0.00 | 285,000 | 0 | 0 | 285,000 | 0.00 | 285,000 | 0 | 0 | 285,000 |
| DP 61 - Increased Entitlements and Special Education | | | | | | | | | | |
| 09 | 0.00 | 25,413,484 | 0 | 0 | 25,413,484 | 0.00 | 24,297,939 | 0 | 0 | 24,297,939 |
| DP 63 - School Facilities Additional State Contribution | | | | | | | | | | |
| 09 | 0.00 | 987,842 | 0 | 0 | 987,842 | 0.00 | 987,842 | 0 | 0 | 987,842 |
| DP 75 - Homeland Security Grant - Distribution | | | | | | | | | | |
| 09 | 0.00 | 0 | 0 | 273,000 | 273,000 | 0.00 | 0 | 0 | 273,000 | 273,000 |
| DP 80 - Indian Education for All Montanans-Biennial | | | | | | | | | | |
| 09 | 0.00 | 550,000 | 0 | 0 | 550,000 | 0.00 | 550,000 | 0 | 0 | 550,000 |
| DP 81 - Base Aid for Special Education | | | | | | | | | | |
| 09 | 0.00 | 241,055 | 0 | 0 | 241,055 | 0.00 | 248,743 | 0 | 0 | 248,743 |
| Total | 0.00 | \$29,462,974 | \$0 | \$273,000 | \$29,735,974 | 0.00 | \$29,274,539 | \$0 | \$273,000 | \$29,547,539 |

DP 6 - Special Education Increase - In addition to the amount appropriated in FY 2005, the legislature determined that the inflationary adjustment provided in Section 20-9-326, MCA would be applied to special education funding as well as basic and per ANB entitlements. The inflators used are 2.10 percent in FY 2006 and 2.19 percent in FY 2007. The additional general fund requirement is \$2.8 million in the biennium. This is a biennial appropriation.

DP 21 - Additional School Facility Reimbursement - In addition to the present law increase provided for school facility reimbursement, the legislature added \$500,000 in FY 2006 and \$1 million in FY 2007 to be distributed to school districts for school facility bond payments. As additional bonds are passed throughout the state additional state support is needed to keep the proration of eligible costs close to 100 percent. This is a biennial appropriation.

DP 50 - Additional funding - Gifted and Talented - The legislature added \$100,000 general fund per year to the current gifted and talented block grant of \$1 million per year. These funds are used to provide a small amount of earmarked funds for the gifted and talented programs in schools. Most gifted and talented funding services are provided by the district general fund budgets. This is a biennial appropriation.

DP 51 - Additional funding - Career & Technical Education - This addition increases the state vocational education or career and technical education allocation from \$715,000 to \$1,000,000 general fund per year. The funding is to support career and technical education programs to keep pace with the needs of today's technical economy. This is a biennial appropriation.

DP 61 - Increased Entitlements and Special Education - The legislature made an increase in the per-ANB entitlement for elementary school districts of \$250 and for high school districts of \$100. In addition, the legislature made an increase in special education of 3.5 percent. The cost of this addition is about \$50 million for the 2007 biennium.

DP 63 - School Facilities Additional State Contribution - The legislature made an increase in state aid for school facility debt service of \$2.0 million for the 2007 biennium, \$2.8 million below the executive request. This amount will retain the pro-rated amount at 100 percent in the event Billings does not pass a school bond. If the Billings bond does pass the proration amount would drop to around 87 percent.

DP 75 - Homeland Security Grant - Distribution - The Homeland Security Grant Program is funded by the Corporation for National and Community Service. It will provide funding to six selected schools with service-learning history. The objective of the grant is to enhance the safety and security of schools and communities through the Citizen Preparedness through Youth Leadership project. The activities are designed to meet the unique needs of a rural, sparsely populated state. The federal funds available for this program are \$546,000 for the 2007 biennium.

DP 80 - Indian Education for All Montanans-Biennial - The legislature adds \$1.1 million to implement the Indian Education for All Act. The purpose is to provide grants for up to 50 model "Ready to Go" school districts, districts that have demonstrated excellent Indian education programs, and to inform other school districts on the methods used to implement Indian education programs.

DP 81 - Base Aid for Special Education - This decision package is in conjunction with DP 61. In DP 61, special education increases 3.5 percent. This causes an automatic increase in GTB aid to schools. The increase in GTB aid associated with this proposal is \$489,798 for the 2007 biennium.

Language

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The Office of Public Instruction may distribute funds from the appropriation for instate treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.

All appropriations for federal special revenue programs in state level activities and in local education activities, and all general fund appropriations in local educational activities are biennial.

The office of public instruction shall include as a part of its work plan priorities for the next biennium the prevention of dropouts and the reduction of dropout rates in Montana's public schools and report on these efforts to the education and local government interim committee before September 1, 2006.

Base Aid will be decreased by \$183,000 in fiscal year 2007 if Senate Bill No. 48 is not passed and approved. Base Aid will be decreased in fiscal year 2006 by \$5,008 if House Bill No. 22 is not passed and approved. Base Aid will be decreased by \$21,200 in fiscal year 2007 if Senate Bill No. 296 is not passed and approved. Base Aid will be increased by \$700 in fiscal year 2006 and by \$263,400 if Senate Bill No. 276 is not passed and approved."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 4,00 | 0,00 | 0,00 | 4,00 | 0,00 | 0,00 | 4,00 | 4,00 |
| Personal Services | 212,729 | 5,770 | 9,794 | 228,293 | 6,120 | 20,004 | 238,853 | 467,146 |
| Operating Expenses | 81,365 | 50,768 | 10,100 | 142,233 | 46,779 | 10,100 | 138,244 | 280,477 |
| Total Costs | \$294,094 | \$56,538 | \$19,894 | \$370,526 | \$52,899 | \$30,104 | \$377,097 | \$747,623 |
| General Fund | 141,309 | 18,983 | 10,345 | 170,637 | 17,039 | 15,526 | 173,874 | 344,511 |
| State/Other Special | 152,785 | 37,555 | 9,549 | 199,889 | 35,860 | 14,578 | 203,223 | 403,112 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$294,094 | \$56,538 | \$19,894 | \$370,526 | \$52,899 | \$30,104 | \$377,097 | \$747,623 |

Agency Description

The seven-member Board of Public Education, under authority of Article X, Section 9 of the Montana Constitution, exercises "general supervision over the public school system" including the School for the Deaf and Blind. This includes school accreditation, teacher certification, standardization of policies and programs, and equalization of aid distribution. Board accreditation is the basis for local school district eligibility for state funds. The board shares responsibility with the Board of Regents under Title 20, Chapter 2, MCA for general planning, coordination, and evaluation of the state education system.

Agency Highlights

| Board of Public Education Major Budget Highlights | |
|--|--|
| Total funding increases over the FY 2004 base year are due to: | |
| ♦ | Statewide and other present law adjustments of \$109,400: |
| • | \$11,700 in personal services and fixed costs |
| • | \$95,000 to tie agency appropriations to anticipated revenue |
| • | \$2,700 to restore per diem for Board of Public Education meetings |
| ♦ | New proposals: |
| • | \$23,000 to implement the HB 447 pay plan |
| • | \$20,000 for in and out-of-state travel and per diem |
| • | \$6,800 for representatives of the Montana Advisory Council on Indian Education to attend Board of Public Education meetings |
| ♦ | The legislature approved funding for a Board of Education staff person administratively attached to the Governor's Office to assist the Board of Public Education, the Board of Regents, and the Governor in their combined work as the Board of Education |

Summary of Legislative Action

The legislature increased the agency's budget by \$159,000 over the FY 2004 base primarily for present law adjustments and the cost of the pay plan provided by HB 447.

The statewide present law adjustments contain a transfer of \$26,415 from the Advisory Council to the Administration program to correct a miscoded salary entry. The miscode adjustment, combined with the standard statewide adjustments,

results in a net adjustment of \$11,700 over the biennium for the Board of Public Education (BPE) that includes: 1) \$9,200 in personal services for pay plan salary increases as well as employment taxes, longevity, employee benefits and health insurance; 2) a deflation figure of \$2,300; and 3) \$4,800 in fixed costs that are primarily for expenses related to the legislative audit and the Statewide Accounting, Budget, and Human Resource System.

The legislature approved \$47,500 each year of the biennium to align the appropriation for the Advisory Council to the 2007 biennium anticipated revenue, as well as \$50,000 for: 1) \$20,000 to restore board per diem for Board of Public Education meetings, Board of Education meetings, and travel to national meetings; 2) \$6,800 in travel and per diem for representatives from the Montana Advisory Council on Indian Education to attend BPE meetings; and 4) \$23,200 to implement the pay plan adopted in HB 447.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | |
|--|-------------------|-------------------|-------------------|---------------|
| Agency Program | General Fund | State Spec. | Grand Total | Total % |
| 01 Administration | \$ 344,511 | \$ 42,776 | \$ 387,287 | 51.8% |
| 03 Advisory Council | - | 360,336 | 360,336 | 48.2% |
| Grand Total | <u>\$ 344,511</u> | <u>\$ 403,112</u> | <u>\$ 747,623</u> | <u>100.0%</u> |

Other Legislation

SB 525 – This bill provides for an eleven-member interim committee comprising eight legislators and three ex-officio, non-voting members representing the Board of Public Education, the Office of Public Instruction, and the Governor, to study the school funding formula. The appropriation is made to the Legislative Branch, which will pay the costs of the study. The chair of the Board of Public Education, a non-recompensed position, may require lodging and per diem for committee meetings and may request reimbursement. General fund of \$200,000 was added in HB 2 to fund this study.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 4.00 | 4.00 | 4.00 | 0.00 | 4.00 | 4.00 | 0.00 | |
| Personal Services | 212,729 | 221,799 | 228,293 | 6,494 | 222,149 | 238,853 | 16,704 | 23,198 |
| Operating Expenses | 81,365 | 138,833 | 142,233 | 3,400 | 134,844 | 138,244 | 3,400 | 6,800 |
| Total Costs | \$294,094 | \$360,632 | \$370,526 | \$9,894 | \$356,993 | \$377,097 | \$20,104 | \$29,998 |
| General Fund | 141,309 | 167,292 | 170,637 | 3,345 | 165,348 | 173,874 | 8,526 | 11,871 |
| State/Other Special | 152,785 | 193,340 | 199,889 | 6,549 | 191,645 | 203,223 | 11,578 | 18,127 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$294,094 | \$360,632 | \$370,526 | \$9,894 | \$356,993 | \$377,097 | \$20,104 | \$29,998 |

The legislature approved a budget that is \$30,000 greater than the amount recommended by the Governor to implement the HB 447 pay plan and support of travel to Board of Education meetings by representatives from the Montana Advisory Council on Indian Education.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 2.00 | 0.00 | 0.00 | 2.00 | 0.00 | 0.00 | 2.00 | 2.00 |
| Personal Services | 88,518 | 32,593 | 6,645 | 127,756 | 32,950 | 11,826 | 133,294 | 261,050 |
| Operating Expenses | 52,791 | 1,378 | 10,100 | 64,269 | (923) | 10,100 | 61,968 | 126,237 |
| Total Costs | \$141,309 | \$33,971 | \$16,745 | \$192,025 | \$32,027 | \$21,926 | \$195,262 | \$387,287 |
| General Fund | 141,309 | 18,983 | 10,345 | 170,637 | 17,039 | 15,526 | 173,874 | 344,511 |
| State/Other Special | 0 | 14,988 | 6,400 | 21,388 | 14,988 | 6,400 | 21,388 | 42,776 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$141,309 | \$33,971 | \$16,745 | \$192,025 | \$32,027 | \$21,926 | \$195,262 | \$387,287 |

Program Description

The Administration Program provides administration, research, clerical functions, and management of business affairs for all programs under the authority of the Board of Public Education. The Board of Public Education exists under Article X, Section 9 of the Montana Constitution, and exercises general supervision of the public school system.

As mandated by 20-2-101 (6), MCA the Board of Public Education and the Board of Regents meet at least twice yearly as the Board of Education. Administration oversees all aspect of business management, research, and proceedings regarding denial, suspension, or revocation of teacher certificates, including investigations, possible hearings, or formal action. BPE meets eight times a year to conduct business related to its constitutional and statutory obligation. It is also required to meet two times annually with the Montana Board of Regents of Higher Education as the Board of Education (20-2-101 (6), MCA).

Program Highlights

| Administration Program Major Budget Highlights | |
|---|--|
| ♦ | Total funding increases over the FY 2004 base year are due to: <ul style="list-style-type: none"> • Statewide present law adjustments • \$38,000 in new proposals • \$11,900 to implement the HB 447 pay plan |
| ♦ | Increases in personal services in this program include a \$26,400 correction for a miscode in salary; a reduction of the same amount occurs in the Advisory Council Program |

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|-----------------------|---------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Administration | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 141,309 | 100.0% | \$ 170,637 | 88.9% | \$ 173,874 | 89.0% |
| | 01100 General Fund | 141,309 | 100.0% | 170,637 | 88.9% | 173,874 | 89.0% |
| 02000 | Total State Special Funds | - | - | 21,388 | 11.1% | 21,388 | 11.0% |
| | 02219 Research Fund | - | - | 21,388 | 11.1% | 21,388 | 11.0% |
| Grand Total | | <u>\$ 141,309</u> | <u>100.0%</u> | <u>\$ 192,025</u> | <u>100.0%</u> | <u>\$ 195,262</u> | <u>100.0%</u> |

This program is funded with 89 percent general fund and 11 percent state special revenue authorized by 20-4-109, MCA, which allows the agency to use a portion of the revenue collected from teacher fees for activities in support of the board's constitutional and statutory duties, special projects, and research studies of the advisory council.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 31,243 | | | | | 31,600 |
| Inflation/Deflation | | | | | (534) | | | | | (533) |
| Fixed Costs | | | | | 1,912 | | | | | (390) |
| Total Statewide Present Law Adjustments | | | | | \$32,621 | \$30,677 | | | | |
| DP 1 - Per diem reinstated | 0.00 | 1,350 | 0 | 0 | 1,350 | 0.00 | 1,350 | 0 | 0 | 1,350 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$1,350 | \$0 | \$0 | \$1,350 | 0.00 | \$1,350 | \$0 | \$0 | \$1,350 |
| Grand Total All Present Law Adjustments | | | | | \$33,971 | \$32,027 | | | | |

DP 1 - Per diem reinstated - The legislature approved \$2,700 general fund across the biennium to restore per diem for BPE members to attend eight BPE meetings a year.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|----------------|-----------------|-----------------|-------------|-----------------|----------------|-----------------|-----------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 2 - Out-of-State Travel | | | | | | | | | | |
| 01 | 0.00 | 3,000 | 3,000 | 0 | 6,000 | 0.00 | 3,000 | 3,000 | 0 | 6,000 |
| DP 3 - Additional Meetings - Board of Education | | | | | | | | | | |
| 01 | 0.00 | 4,000 | 0 | 0 | 4,000 | 0.00 | 4,000 | 0 | 0 | 4,000 |
| DP 4 - Travel for MACIE to BPE Meetings | | | | | | | | | | |
| 01 | 0.00 | 0 | 3,400 | 0 | 3,400 | 0.00 | 0 | 3,400 | 0 | 3,400 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 3,345 | 0 | 0 | 3,345 | 0.00 | 8,526 | 0 | 0 | 8,526 |
| Total | 0.00 | \$10,345 | \$6,400 | \$0 | \$16,745 | 0.00 | \$15,526 | \$6,400 | \$0 | \$21,926 |

DP 2 - Out-of-State Travel - The legislature approved \$6,000 in each year of the biennium for board members to travel to National Association of State Boards of Education (NASBE) events, where they garner information, technical support, and assistance on a variety of state and federal educational issues such as the No Child Left Behind legislation.

DP 3 - Additional Meetings - Board of Education - The legislature increased travel and per diem by \$4,000 in each year of the biennium to allow the Board of Public Education to meet with the Board of Regents for two mandated meetings per year as the Board of Education (20-2-101 (6), MCA).

DP 4 - Travel for MACIE to BPE Meetings - The legislature added \$3,400 per year for travel to Board of Education meetings by representatives from the Montana Advisory Council on Indian Education.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 2.00 | 0.00 | 0.00 | 2.00 | 0.00 | 0.00 | 2.00 | 2.00 |
| Personal Services | 124,211 | (26,823) | 3,149 | 100,537 | (26,830) | 8,178 | 105,559 | 206,096 |
| Operating Expenses | 28,574 | 49,390 | 0 | 77,964 | 47,702 | 0 | 76,276 | 154,240 |
| Total Costs | \$152,785 | \$22,567 | \$3,149 | \$178,501 | \$20,872 | \$8,178 | \$181,835 | \$360,336 |
| State/Other Special | 152,785 | 22,567 | 3,149 | 178,501 | 20,872 | 8,178 | 181,835 | 360,336 |
| Total Funds | \$152,785 | \$22,567 | \$3,149 | \$178,501 | \$20,872 | \$8,178 | \$181,835 | \$360,336 |

Program Description

The seven-member Certification Standards and Practices Advisory Council was created by the legislature in 1987 to study and make recommendations to the Board of Public Education in the following areas: 1) teacher, administrator, and specialist certification standards; 2) the status and efficacy of approved teacher education programs; and 3) the feasibility of establishing teaching certification and the appeals process. The board staff provides administrative, research, and clerical duties to the council. The advisory council is created in 2-15-1522, MCA.

Program Highlights

| Advisory Council Major Budget Highlights | |
|---|---|
| ♦ | Total funding increases over the FY 2004 base year are due to: |
| • | A \$26,400 decrease in personal services to correct a miscode in salary |
| • | \$3,300 in fixed costs |
| • | \$95,000 to tie appropriations to anticipated revenue for studies |
| • | \$11,300 to implement the HB 447 pay plan |

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

| Program Funding Table Advisory Council | | | | | | | |
|---|---------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 02000 | Total State Special Funds | \$ 152,785 | 100.0% | \$ 178,501 | 100.0% | \$ 181,835 | 100.0% |
| | 02122 Advisory Council | 109,197 | 71.5% | 118,501 | 66.4% | 121,835 | 67.0% |
| | 02219 Research Fund | 43,588 | 28.5% | 60,000 | 33.6% | 60,000 | 33.0% |
| Grand Total | | <u>\$ 152,785</u> | <u>100.0%</u> | <u>\$ 178,501</u> | <u>100.0%</u> | <u>\$ 181,835</u> | <u>100.0%</u> |

This program is funded entirely by state special revenue. By statute, the Office of Public Instruction (OPI) Certification/Teacher Licensure Unit is responsible for collecting fees and depositing them in two state special revenue accounts for use by BPE. The fee for teacher and specialist certificates are set in 20-4-109, MCA, at \$6 per year. \$4 is

used for expenses of the Certification Standards and Practices Advisory Council, which makes recommendations regarding standards, policies, and research activities to be undertaken by the board. \$2 is used for activities in support of the board’s constitutional and statutory duties, special projects, and research studies of the Advisory Council.

The legislature increased funding for the Advisory Council by just over \$20,000 each year. The legislature approved \$47,500 annually to tie appropriations to anticipated revenue, and present law adjustments including a correction in personal services of \$26,415 for a salary miscode, that reduces state special revenue in the research fund and increases funding in the administration program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | (26,823) | | | | | (26,830) |
| Inflation/Deflation | | | | | (607) | | | | | (604) |
| Fixed Costs | | | | | 2,497 | | | | | 806 |
| Total Statewide Present Law Adjustments | | | | | (\$24,933) | | | | | (\$26,628) |
| DP 7000 - Tie Appropriations to Anticipated Revenue | 0.00 | 0 | 47,500 | 0 | 47,500 | 0.00 | 0 | 47,500 | 0 | 47,500 |
| Total Other Present Law Adjustments | 0.00 | \$0 | \$47,500 | \$0 | \$47,500 | 0.00 | \$0 | \$47,500 | \$0 | \$47,500 |
| Grand Total All Present Law Adjustments | | | | | \$22,567 | | | | | \$20,872 |

DP 7000 - Tie Appropriations to Anticipated Revenue - The legislature approved \$47,500 annually of state special revenue to bring the research fund spending appropriation to \$60,000 in each year of the biennium.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 03 | 0.00 | 0 | 3,149 | 0 | 3,149 | 0.00 | 0 | 8,178 | 0 | 8,178 |
| Total | 0.00 | \$0 | \$3,149 | \$0 | \$3,149 | 0.00 | \$0 | \$8,178 | \$0 | \$8,178 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 81.68 | (0.73) | 0.00 | 80.95 | (0.73) | 0.00 | 80.95 | 80.95 |
| Personal Services | 3,285,424 | 475,472 | 400,499 | 4,161,395 | 475,109 | 579,040 | 4,339,573 | 8,500,968 |
| Operating Expenses | 561,260 | 48,297 | 100,000 | 709,557 | 15,955 | 100,000 | 677,215 | 1,386,772 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$3,846,684 | \$523,769 | \$500,499 | \$4,870,952 | \$491,064 | \$679,040 | \$5,016,788 | \$9,887,740 |
| General Fund | 3,408,893 | 575,943 | 500,499 | 4,485,335 | 543,238 | 679,040 | 4,631,171 | 9,116,506 |
| State/Other Special | 341,095 | (58,343) | 0 | 282,752 | (58,343) | 0 | 282,752 | 565,504 |
| Federal Special | 96,696 | 6,169 | 0 | 102,865 | 6,169 | 0 | 102,865 | 205,730 |
| Total Funds | \$3,846,684 | \$523,769 | \$500,499 | \$4,870,952 | \$491,064 | \$679,040 | \$5,016,788 | \$9,887,740 |

Agency Description

The Montana School for the Deaf and Blind, located in Great Falls, operates under the authority of Title 20-8-101 through 121, MCA, is part of Montana's educational system, and under the policy and governance of the State Board of Public Education. The school is to be a day school with a residential option for children and adolescents whose hearing or sight is a barrier to receiving proper education in the public schools of the state. The school is also to provide outreach educational services and serve as a resource center for parents of deaf and blind children, as well as state public schools and organizations that serve sensory impaired children. Their goal is to allow their students to attain the attitude, understanding, skill, ability, and knowledge to become contributing members of society.

Agency Highlights

| School for the Deaf and Blind | |
|-------------------------------|--|
| Major Budget Highlights | |
| ♦ | The 2007 legislative budget exceeds the FY 2004 base budget by \$2.2 million to fund: <ul style="list-style-type: none"> • \$403,000 to implement the pay plan adopted in HB 447 • \$200,000 for repairs, maintenance, and computer upgrades • \$300,000 to increase salaries for teachers and professional staff • \$276,000 to eliminate vacancy savings from two programs • Statewide present law adjustments of \$1 million are primarily for personal services for 80.95 FTE |
| ♦ | An appropriation of \$440,000 to enhance the school's outreach program and Braille instruction was made in HB 438 |

Summary of Legislative Action

The legislature approved a budget increase for statewide and other present law adjustments as well as increases to the general fund of \$1.2 million to implement the pay plan adopted in HB 447, address ongoing maintenance issues, eliminate vacancy savings in the Student Services and Education Programs, replace and upgrade computers, and increase salaries for teachers and professional staff.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|--------------|-------------|------------|--------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Administration Program | \$ 727,044 | \$ 878 | \$ - | \$ 727,922 | 7.4% |
| 02 General Services | 988,426 | - | - | 988,426 | 10.0% |
| 03 Student Services | 2,478,469 | - | 58,222 | 2,536,691 | 25.7% |
| 04 Education | 4,922,567 | 564,626 | 147,508 | 5,634,701 | 57.0% |
| Grand Total | \$ 9,116,506 | \$ 565,504 | \$ 205,730 | \$ 9,887,740 | 100.0% |

Other Legislation

House Bill 5 – This bill appropriates \$398,000 from the long-range building program account, administered by the Department of Administration, for facility improvements at the Montana School for the Deaf and Blind.

House Bill 20 – This bill clarifies that students desiring to attend the school may not yet have reached 22 years of age and must be identified as deaf, hearing impaired, or visually impaired pursuant to the Individuals With Disabilities Education Act, 20 U.S.C. 1414.

House Bill 44 – This bill allows the school to spend non-general fund money from admission payments of nonresident children before the school has expended all general fund money to provide services to the student covered by admission payments.

House Bill 438 – This bill provides a general fund appropriation for the Montana School for the Deaf and Blind (MSDB) to enhance their outreach program to provide consultants and an equipment loan program to school districts throughout Montana. This appropriation also allows the MSDB to provide technical assistance for Braille instruction to local districts serving blind or visually impaired children. The bill provides \$440,000 over the biennium for personal services (3.08 FTE), operating expenses, and the start-up for the equipment loan library.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 81.68 | 80.95 | 80.95 | 0.00 | 80.95 | 80.95 | 0.00 | |
| Personal Services | 3,285,424 | 3,910,896 | 4,161,395 | 250,499 | 3,910,533 | 4,339,573 | 429,040 | 679,539 |
| Operating Expenses | 561,260 | 709,557 | 709,557 | 0 | 677,215 | 677,215 | 0 | 0 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$3,846,684 | \$4,620,453 | \$4,870,952 | \$250,499 | \$4,587,748 | \$5,016,788 | \$429,040 | \$679,539 |
| General Fund | 3,408,893 | 4,234,836 | 4,485,335 | 250,499 | 4,202,131 | 4,631,171 | 429,040 | 679,539 |
| State/Other Special | 341,095 | 282,752 | 282,752 | 0 | 282,752 | 282,752 | 0 | 0 |
| Federal Special | 96,696 | 102,865 | 102,865 | 0 | 102,865 | 102,865 | 0 | 0 |
| Total Funds | \$3,846,684 | \$4,620,453 | \$4,870,952 | \$250,499 | \$4,587,748 | \$5,016,788 | \$429,040 | \$679,539 |

The legislature increased the executive budget by \$679,000 general fund over the biennium for \$276,000 to exempt the Student Services and Education Programs from vacancy savings, and \$403,000 to implement the HB 447 pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 5.00 | 0.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 | 5.00 |
| Personal Services | 258,906 | (1,117) | 7,377 | 265,166 | (1,143) | 18,855 | 276,618 | 541,784 |
| Operating Expenses | 71,756 | 34,147 | 0 | 105,903 | 8,479 | 0 | 80,235 | 186,138 |
| Total Costs | \$330,662 | \$33,030 | \$7,377 | \$371,069 | \$7,336 | \$18,855 | \$356,853 | \$727,922 |
| General Fund | 330,662 | 32,591 | 7,377 | 370,630 | 6,897 | 18,855 | 356,414 | 727,044 |
| State/Other Special | 0 | 439 | 0 | 439 | 439 | 0 | 439 | 878 |
| Total Funds | \$330,662 | \$33,030 | \$7,377 | \$371,069 | \$7,336 | \$18,855 | \$356,853 | \$727,922 |

Program Description

The Administration Program staff provides purchasing, accounting, personnel functions, and management of business affairs for the school.

Program Highlights

| Administration Program Major Budget Highlights | |
|---|--|
| Increases to the FY 2004 base year budget are due to: | |
| ♦ | Statewide present law adjustments of \$40,000 |
| ♦ | Funding to implement the HB 447 pay plan of \$26,200 |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table Administration Program | | | | | | | |
|---|------------------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 330,662 | 100.0% | \$ 370,630 | 99.9% | \$ 356,414 | 99.9% |
| | 01100 General Fund | 330,662 | 100.0% | 370,630 | 99.9% | 356,414 | 99.9% |
| 02000 | Total State Special Funds | - | - | 439 | 0.1% | 439 | 0.1% |
| | 02050 School Trust Interest/Income | - | - | 439 | 0.1% | 439 | 0.1% |
| Grand Total | | \$ 330,662 | 100.0% | \$ 371,069 | 100.0% | \$ 356,853 | 100.0% |

The administrative program is funded with general fund and less than \$1,000 per year from the school's land trust earnings.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | | |
|---|-----|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|---------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| Personal Services | | | | | 9,624 | | | | | 9,598 | |
| Vacancy Savings | | | | | (10,741) | | | | | (10,741) | |
| Inflation/Deflation | | | | | (581) | | | | | (581) | |
| Fixed Costs | | | | | 34,728 | | | | | 9,060 | |
| Total Statewide Present Law Adjustments | | | | | \$33,030 | | | | | | \$7,336 |
| | | | | | | | | | | | |
| Grand Total All Present Law Adjustments | | | | | \$33,030 | | | | | | \$7,336 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 7,377 | 0 | 0 | 7,377 | 0.00 | 18,855 | 0 | 0 | 18,855 |
| Total | 0.00 | \$7,377 | \$0 | \$0 | \$7,377 | 0.00 | \$18,855 | \$0 | \$0 | \$18,855 |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 4.00 | 0.00 | 0.00 | 4.00 | 0.00 | 0.00 | 4.00 | 4.00 |
| Personal Services | 128,630 | 19,135 | 4,711 | 152,476 | 19,854 | 12,263 | 160,747 | 313,223 |
| Operating Expenses | 254,389 | 11,598 | 75,000 | 340,987 | 4,827 | 75,000 | 334,216 | 675,203 |
| Total Costs | \$383,019 | \$30,733 | \$79,711 | \$493,463 | \$24,681 | \$87,263 | \$494,963 | \$988,426 |
| General Fund | 383,019 | 30,733 | 79,711 | 493,463 | 24,681 | 87,263 | 494,963 | 988,426 |
| Total Funds | \$383,019 | \$30,733 | \$79,711 | \$493,463 | \$24,681 | \$87,263 | \$494,963 | \$988,426 |

Program Description

The General Services Program staff members are responsible for general upkeep and maintenance of the school's eight buildings and 18.5-acre campus complex

Program Highlights

| General Services Program Major Budget Highlights | |
|---|--|
| Total funding increases of approximately \$222,000 over the base year are due to: | |
| ◆ | Statewide present law adjustments |
| ◆ | New Proposals of \$167,000 comprising: |
| • | \$150,000 for repairs and maintenance |
| • | \$17,000 to implement the pay plan adopted in HB 447 |

Funding

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|-----------------|-----------------------|--------------|---------------|-----------------|-----------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 25,292 | | | | | 26,040 |
| Vacancy Savings | | | | (6,157) | | | | | (6,186) |
| Inflation/Deflation | | | | 10,096 | | | | | 7,406 |
| Fixed Costs | | | | 1,502 | | | | | (2,579) |
| Total Statewide Present Law Adjustments | | | | \$30,733 | | | | | \$24,681 |
| Grand Total All Present Law Adjustments | | | | \$30,733 | | | | | \$24,681 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 3 - Repair & Maintenance Base Adjustment | | | | | | | | | | |
| 02 | 0.00 | 75,000 | 0 | 0 | 75,000 | 0.00 | 75,000 | 0 | 0 | 75,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 02 | 0.00 | 4,711 | 0 | 0 | 4,711 | 0.00 | 12,263 | 0 | 0 | 12,263 |
| Total | 0.00 | \$79,711 | \$0 | \$0 | \$79,711 | 0.00 | \$87,263 | \$0 | \$0 | \$87,263 |

DP 3 - Repair and Maintenance Base Adjustment - The legislature added \$75,000 per year of general fund to the program's operating budget for ongoing maintenance issues.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 29.74 | 0.00 | 0.00 | 29.74 | 0.00 | 0.00 | 29.74 | 29.74 |
| Personal Services | 906,663 | 146,396 | 80,006 | 1,133,065 | 150,025 | 139,081 | 1,195,769 | 2,328,834 |
| Operating Expenses | 99,047 | 4,833 | 0 | 103,880 | 4,930 | 0 | 103,977 | 207,857 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$1,005,710 | \$151,229 | \$80,006 | \$1,236,945 | \$154,955 | \$139,081 | \$1,299,746 | \$2,536,691 |
| General Fund | 977,958 | 149,870 | 80,006 | 1,207,834 | 153,596 | 139,081 | 1,270,635 | 2,478,469 |
| Federal Special | 27,752 | 1,359 | 0 | 29,111 | 1,359 | 0 | 29,111 | 58,222 |
| Total Funds | \$1,005,710 | \$151,229 | \$80,006 | \$1,236,945 | \$154,955 | \$139,081 | \$1,299,746 | \$2,536,691 |

Program Description

The Student Services Program provides residential care for children living at the school. The residential program consists of two cottages, each having three wings connected by a food service building.

Program Highlights

| Student Services Program Major Budget Highlights | |
|---|--|
| ♦ | The 2007 legislative budget exceeds the FY 2004 base budget by approximately \$525,000 due to increases of: <ul style="list-style-type: none"> • \$131,000 to implement the HB 447 pay plan • \$88,000 to eliminate vacancy savings in this program • \$306,000 for statewide present law adjustments |

The Student Services Program provides residential care (20-8-102, MCA) for students living at the school, which is generally about half of the student population. This program operates seven days a week around the clock, and employs 42 individuals for 29.74 FTE comprising 22 institution attendants, 5 licensed practical nurses, 7 cooks/food preparation persons, 1 computer specialist, 1 administrator, and 6 educators that are responsible for:

- Activities designed to further the student's social skills that occur during the week and weekends, and range from roller-skating to shopping
- 24-hour health care services including a disease and injury prevention program directed by a registered nurse and staffed by licensed practical nurses
- The independent living skills program designed to transition students to life after graduation, which is staffed by behavioral counselors

Whether the school uses all available cottage space depends upon the enrollment number, age and sex of students. Presently there is one unoccupied wing. However, if another middle school or high school girl enrolls, and there is no other change in the number of residents, the wing would be opened.

Funding
The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | |
|-----------------------|-----------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|
| Student Services | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 |
| 01000 | Total General Fund | \$ 977,958 | 97.2% | \$ 1,207,834 | 97.6% | \$ 1,270,635 |
| | 01100 General Fund | 977,958 | 97.2% | 1,207,834 | 97.6% | 1,270,635 |
| 03000 | Total Federal Special Funds | 27,752 | 2.8% | 29,111 | 2.4% | 29,111 |
| | 03167 National School Lunch | 27,752 | 2.8% | 29,111 | 2.4% | 29,111 |
| Grand Total | | \$ 1,005,710 | 100.0% | \$ 1,236,945 | 100.0% | \$ 1,299,746 |

The student services program is funded by general fund and federal funds from the national school lunch program.

Present Law Adjustments
The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 190,271 | | | | | 194,051 |
| Vacancy Savings | | | | (43,875) | | | | | (44,026) |
| Inflation/Deflation | | | | 4,833 | | | | | 4,930 |
| Total Statewide Present Law Adjustments | | | | \$151,229 | | | | | \$154,955 |
| Grand Total All Present Law Adjustments | | | | \$151,229 | | | | | \$154,955 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 3 - Eliminate Vacancy Savings for Program 03 | | | | | | | | | | |
| 03 | 0.00 | 43,875 | 0 | 0 | 43,875 | 0.00 | 44,026 | 0 | 0 | 44,026 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 03 | 0.00 | 36,131 | 0 | 0 | 36,131 | 0.00 | 95,055 | 0 | 0 | 95,055 |
| Total | 0.00 | \$80,006 | \$0 | \$0 | \$80,006 | 0.00 | \$139,081 | \$0 | \$0 | \$139,081 |

DP 3 - Eliminate Vacancy Savings for Program 03 - The legislature approved the exemption of this program from vacancy savings.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 42.94 | (0.73) | 0.00 | 42.21 | (0.73) | 0.00 | 42.21 | 42.21 |
| Personal Services | 1,991,225 | 311,058 | 308,405 | 2,610,688 | 306,373 | 408,841 | 2,706,439 | 5,317,127 |
| Operating Expenses | 136,068 | (2,281) | 25,000 | 158,787 | (2,281) | 25,000 | 158,787 | 317,574 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$2,127,293 | \$308,777 | \$333,405 | \$2,769,475 | \$304,092 | \$433,841 | \$2,865,226 | \$5,634,701 |
| General Fund | 1,717,254 | 362,749 | 333,405 | 2,413,408 | 358,064 | 433,841 | 2,509,159 | 4,922,567 |
| State/Other Special | 341,095 | (58,782) | 0 | 282,313 | (58,782) | 0 | 282,313 | 564,626 |
| Federal Special | 68,944 | 4,810 | 0 | 73,754 | 4,810 | 0 | 73,754 | 147,508 |
| Total Funds | \$2,127,293 | \$308,777 | \$333,405 | \$2,769,475 | \$304,092 | \$433,841 | \$2,865,226 | \$5,634,701 |

Program Description

The Education Program provides an education for children with hearing and/or sight loss that prevents them from receiving a quality education in their local schools. The Education Program serves visually and hearing impaired children who remain in their local school districts by providing deaf/blind educational support services to the students' local schools. The program also offers "mainstream" programs for on-campus students in a joint effort with the Great Falls public school system.

Program Highlights

| Education Program Major Budget Highlights | |
|--|---|
| ♦ | The 2007 legislative budget exceeds the FY 2004 base budget by approximately \$1.1 million due to increases of: <ul style="list-style-type: none"> • \$613,000 in statewide and other present law adjustments • \$188,000 to eliminate vacancy savings • \$50,000 to upgrade and replace computers • \$300,000 for salary increases for teachers and professional staff • \$229,000 to implement the 2007 pay plan |

The Education Program serves children enrolled at the School for the Deaf and Blind, and provides support services to public schools providing education to children qualified to attend MSDB, but who wish to remain in their local school districts. There are presently 75 students receiving "on campus" educational services.

As mentioned in the summary, the legislature approved HB 438, which provides a general fund appropriation for the school to enhance its outreach program to provide consultants and an equipment loan program to school districts throughout Montana. This \$440,000 appropriation allows the school to provide technical assistance for Braille instruction to local districts serving blind or visually impaired children and provides for personal services (3.08 FTE), operating expenses and the start-up for the required equipment loan library.

Funding
The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-----------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Education | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,717,254 | 80.7% | \$ 2,413,408 | 87.1% | \$ 2,509,159 | 87.6% |
| | 01100 General Fund | 1,717,254 | 80.7% | 2,413,408 | 87.1% | 2,509,159 | 87.6% |
| 02000 | Total State Special Funds | 341,095 | 16.0% | 282,313 | 10.2% | 282,313 | 9.9% |
| | 02050 School Trust Interest/Income | 284,100 | 13.4% | 282,313 | 10.2% | 282,313 | 9.9% |
| | 02159 Handicapped Telecommunications | 56,995 | 2.7% | - | - | - | - |
| 03000 | Total Federal Special Funds | 68,944 | 3.2% | 73,754 | 2.7% | 73,754 | 2.6% |
| | 03012 E.C.I.A. Chapter I | 68,944 | 3.2% | 73,754 | 2.7% | 73,754 | 2.6% |
| Grand Total | | \$ 2,127,293 | 100.0% | \$ 2,769,475 | 100.0% | \$ 2,865,226 | 100.0% |

The education program is funded by general fund; state special revenue from school trust lands, rental income, and reimbursements from school districts for large print and Braille materials; as well as federal disabled children grants, and Medicaid reimbursements.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Fuods |
| Personal Services | | | | 425,706 | | | | | 420,751 |
| Vacancy Savings | | | | (94,250) | | | | | (94,049) |
| Fixed Costs | | | | (2,281) | | | | | (2,281) |
| Total Statewide Present Law Adjustments | | | | \$329,175 | | | | | \$324,421 |
| DP 2 - Extracurricular Compensation | | | | | | | | | |
| 0.00 | 10,930 | 0 | 0 | 10,930 | 0.00 | 10,930 | 0 | 0 | 10,930 |
| DP 5 - Replacement Lease Vehicles | | | | | | | | | |
| 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| DP 7 - Statewide FTE Reduction | | | | | | | | | |
| (0.73) | (31,328) | 0 | 0 | (31,328) | (0.73) | (31,259) | 0 | 0 | (31,259) |
| Total Other Present Law Adjustments | | | | | | | | | |
| (0.73) | (\$20,398) | \$0 | \$0 | (\$20,398) | (0.73) | (\$20,329) | \$0 | \$0 | (\$20,329) |
| Grand Total All Present Law Adjustments | | | | \$308,777 | | | | | \$304,092 |

DP 2 - Extracurricular Compensation - The legislature approved \$10,930 general fund each year of the biennium to pay staff for supervising or coaching extracurricular activities in sports and other school functions. The amount includes \$9,234 in salaries and \$1,696 in employer paid benefits.

DP 5 - Replacement Lease Vehicles - The legislature approved \$10,217 per year for lease costs of \$5,005 for a car and \$5,212 for a van. The total lease cost is offset by base reductions in operating expenses of gasoline at \$3,135, insurance at \$2,400, personal car mileage at \$1,004, and maintenance at \$3,678.

DP 7 - Statewide FTE Reduction - The legislature approved the permanent reduction of 0.73 FTE and about \$31,000 general fund per year from the budget equivalent to reductions taken in the 2003 legislative session.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 3 - Eliminate Vacancy Savings | | | | | | | | | | |
| 04 | 0.00 | 94,250 | 0 | 0 | 94,250 | 0.00 | 94,049 | 0 | 0 | 94,049 |
| DP 6 - Replace Computers | | | | | | | | | | |
| 04 | 0.00 | 25,000 | 0 | 0 | 25,000 | 0.00 | 25,000 | 0 | 0 | 25,000 |
| DP 8 - Increased funding, Teachers, Professional Salaries | | | | | | | | | | |
| 04 | 0.00 | 150,000 | 0 | 0 | 150,000 | 0.00 | 150,000 | 0 | 0 | 150,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 04 | 0.00 | 64,155 | 0 | 0 | 64,155 | 0.00 | 164,792 | 0 | 0 | 164,792 |
| Total | 0.00 | \$333,405 | \$0 | \$0 | \$333,405 | 0.00 | \$433,841 | \$0 | \$0 | \$433,841 |

DP 3 - Eliminate Vacancy Savings - The legislature approved the exemption of this program from vacancy savings.

DP 6 - Replace Computers - The legislature approved \$25,000 general fund in each year of the biennium to help the school replace sixteen computers each year.

DP 8 - Increased funding, Teachers, Professional Salaries - The legislature approved general fund of \$150,000 per year to increase salaries for teachers and other professionals to help the school attract new teachers and maintain competitive salaries for existing teachers and other professionals. Funds include the amount necessary to pay increases in salary-related benefits, including the additional 1.20 percent necessary to actuarially fund the Teachers Retirement System (TRS) in the 2007 biennium.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 7.00 | 0.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 |
| Personal Services | 374,214 | 58,146 | 12,138 | 444,498 | 58,441 | 31,119 | 463,774 | 908,272 |
| Operating Expenses | 198,491 | 31,833 | 35,487 | 265,811 | 3,118 | 35,487 | 237,096 | 502,907 |
| Grants | 452,330 | 10,054 | 44,513 | 506,897 | 14,747 | 44,513 | 511,590 | 1,018,487 |
| Transfers | 0 | 0 | 100,275 | 100,275 | 0 | 0 | 0 | 100,275 |
| Total Costs | \$1,025,035 | \$100,033 | \$192,413 | \$1,317,481 | \$76,306 | \$111,119 | \$1,212,460 | \$2,529,941 |
| General Fund | 286,250 | 40,106 | 184,237 | 510,593 | 14,655 | 90,061 | 390,966 | 901,559 |
| State/Other Special | 158,801 | 22,177 | 4,108 | 185,086 | 23,901 | 10,582 | 193,284 | 378,370 |
| Federal Special | 579,984 | 37,750 | 4,068 | 621,802 | 37,750 | 10,476 | 628,210 | 1,250,012 |
| Total Funds | \$1,025,035 | \$100,033 | \$192,413 | \$1,317,481 | \$76,306 | \$111,119 | \$1,212,460 | \$2,529,941 |

Agency Description

The Montana Arts Council (MAC) is authorized by Title 22-2-101, MCA to assist public and private institutions with artistic and cultural activities. The council encourages participation in, and appreciation of, the arts. The council fosters interest in the state's cultural heritage, expands state cultural resources, and supports freedom of artistic expression through ongoing programs and projects. The council administers the Cultural and Aesthetic Project grants, other grants approved by the legislature, and makes recommendations to the legislature on arts related issues.

Agency Highlights

| Montana Arts Council Major Budget Highlights |
|---|
| <p>The \$2.5 million 2007 legislative budget exceeds the FY 2004 base budget by \$480,000 to fund:</p> <ul style="list-style-type: none"> ◆ New Proposals of \$303,500: <ul style="list-style-type: none"> • \$43,200 to implement the pay plan adopted in HB 447 • \$10,000 for E-grants and a Data Base system • \$100,300 to augment Cultural and Aesthetic grants • \$150,000 to restore funding eliminated in the 2003 session ◆ Statewide and other present law adjustments of \$176,300 to fund: <ul style="list-style-type: none"> • \$15,500 for increased rent and equipment replacement • \$24,800 for increased authority to spend federal funds • \$41,700 for administrative cost adjustments • \$94,300 in statewide present law adjustments |

Summary of Legislative Action

The largest portion of the budget increase approved by the legislature is due to the restoration of general fund that was eliminated in the 2003 session, implementation of the HB 447 pay plan, one-time-only funding for an E-grants and Data Base System, and additional Cultural and Aesthetic Grants.

The legislature also approved statewide and other present law increases for increased rent, equipment replacement, increased authority to spend federal funds, and administrative cost adjustments in addition to statewide present law adjustments of \$94,300 over the biennium for personal services and fixed costs.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 7.00 | 7.00 | 7.00 | 0.00 | 7.00 | 7.00 | 0.00 | |
| Personal Services | 374,214 | 432,360 | 444,498 | 12,138 | 432,655 | 463,774 | 31,119 | 43,257 |
| Operating Expenses | 198,491 | 190,324 | 265,811 | 75,487 | 161,609 | 237,096 | 75,487 | 150,974 |
| Grants | 452,330 | 462,384 | 506,897 | 44,513 | 467,077 | 511,590 | 44,513 | 89,026 |
| Transfers | 0 | 40,000 | 100,275 | 60,275 | 0 | 0 | 0 | 60,275 |
| Total Costs | \$1,025,035 | \$1,125,068 | \$1,317,481 | \$192,413 | \$1,061,341 | \$1,212,460 | \$151,119 | \$343,532 |
| General Fund | 286,250 | 356,356 | 510,593 | 154,237 | 290,905 | 390,966 | 100,061 | 254,298 |
| State/Other Special | 158,801 | 165,978 | 185,086 | 19,108 | 167,702 | 193,284 | 25,582 | 44,690 |
| Federal Special | 579,984 | 602,734 | 621,802 | 19,068 | 602,734 | 628,210 | 25,476 | 44,544 |
| Total Funds | \$1,025,035 | \$1,125,068 | \$1,317,481 | \$192,413 | \$1,061,341 | \$1,212,460 | \$151,119 | \$343,532 |

The legislature increased the executive budget by \$343,500 over the biennium for: 1) \$150,000 to replace funding that was eliminated through general fund reductions made in the 2003 session comprising \$30,000 in the Arts Education program, \$54,000 for Arts Business Services operations, \$32,000 of eliminated grants to local communities, and \$34,000 of unspecified reductions; 2) \$90,000 to support salary increases resulting from the agency's change to the broadband pay plan to help retain and/or recruit quality staff; 3) \$43,250 to implement the 2007 biennium pay plan; and \$60,275 to augment Cultural and Aesthetic grants.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

| Program Funding Table Promotion Of The Arts | | | | | | | |
|--|--------------------------------------|--------------------|----------------------|--------------------|------------------------|--------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 286,250 | 27.9% | \$ 510,593 | 38.8% | \$ 390,966 | 32.2% |
| | 01100 General Fund | 286,250 | 27.9% | 510,593 | 38.8% | 390,966 | 32.2% |
| 02000 | Total State Special Funds | 158,801 | 15.5% | 185,086 | 14.0% | 193,284 | 15.9% |
| | 02009 Cultural And Aesthetic Project | 158,801 | 15.5% | 185,086 | 14.0% | 193,284 | 15.9% |
| 03000 | Total Federal Special Funds | 579,984 | 56.6% | 621,802 | 47.2% | 628,210 | 51.8% |
| | 03016 Nea Funds-Basic State Grant | 523,086 | 51.0% | 564,904 | 42.9% | 571,312 | 47.1% |
| | 03017 Nea Funds-Arts In Education | 56,898 | 5.6% | 56,898 | 4.3% | 56,898 | 4.7% |
| Grand Total | | \$1,025,035 | 100.0% | \$1,317,481 | 100.0% | \$1,212,460 | 100.0% |

The Montana Arts Council is funded with a combination of general fund, state special revenue from cultural & aesthetic (C&A) trust fund interest earnings, and federal funds from the National Endowment for the Arts (NEA).

General fund supports administration, legislative audit costs, general art programs in local schools and communities throughout Montana, and additional Cultural and Aesthetic Grant funds.

The coal severance tax fund shared account supports the Montana Arts Council's administration of the cultural trust activities and its Folklife Program, which supports Montana's traditional and native arts and cultures. Interest earnings from the corpus of the cultural trust support the Cultural and Aesthetic Program projects.

Other Legislation

House Bill 9 - This bill establishes priorities and appropriates funds for cultural and aesthetic grant projects administered by the Montana Arts Council. The bill appropriates \$100,275 from general fund and \$1,053,404 state special revenue funds from the Cultural and Aesthetic Trust Fund interest earnings in the 2007 biennium. In addition, \$378,370 is appropriated in HB 2 to fund the council's administrative expenses associated with cultural and aesthetic projects as well as the Folklife Program. The bill also appropriates funds for the Cultural and Aesthetic Project Grant awards and allows for the re-appropriation of the grant amounts should money in the cultural and aesthetic projects account prove insufficient to fund approved projects in the 2007 biennium. For further information and a complete list of the grant awards, see the Long Range Planning section of this volume.

Senate Bill 69 - This bill establishes the honorary position of State Poet Laureate and directs the Montana Arts Council to provide the Governor a list of nominees. The inaugural list should be complete by July 1, 2005 and the Governor is directed to appoint a state poet laureate within the following 30 days.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|----------|---------|----------|----------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | | | | |
| Personal Services | | | | | 52,996 | | | | | 52,891 | | | | |
| Inflation/Deflation | | | | | (213) | | | | | (205) | | | | |
| Fixed Costs | | | | | 4,034 | | | | | (15,208) | | | | |
| Total Statewide Present Law Adjustments | | | | | \$56,817 | \$37,478 | | | | | | | | |
| DP 1 - Rent Increase | 0.00 | 158 | 242 | 158 | 558 | 0.00 | 1,008 | 1,602 | 1,008 | 3,618 | | | | |
| DP 2 - Equipment Replacement | 0.00 | 6,428 | 0 | 0 | 6,428 | 0.00 | 4,902 | 0 | 0 | 4,902 | | | | |
| DP 4 - Federal Funds Increase | 0.00 | 0 | 0 | 10,054 | 10,054 | 0.00 | 0 | 0 | 14,747 | 14,747 | | | | |
| DP 5 - Administrative Cost Adjustments | 0.00 | 12,597 | 2,319 | 11,260 | 26,176 | 0.00 | 7,089 | 2,719 | 5,753 | 15,561 | | | | |
| Total Other Present Law Adjustments | | | | | 0.00 | \$19,183 | \$2,561 | \$21,472 | \$43,216 | 0.00 | \$12,999 | \$4,321 | \$21,508 | \$38,828 |
| Grand Total All Present Law Adjustments | | | | | \$100,033 | \$76,306 | | | | | | | | |

DP 1 - Rent Increase - The legislature approved an annual 3 percent increase in rent as negotiated in the lease with the City-County Administration and the Department of Administration. The \$4,176 cost of rent is split \$1,166 general fund, \$1,844 state special revenue fund, and \$1,166 federal funds over the biennium. The increase from FY 2006 to FY 2007 is due to the termination of a grant award that partially paid for past rent.

DP 2 - Equipment Replacement - The legislature approved \$11,330 of general fund for computer replacement of four personal computers, two laptops, and two printers.

DP 4 - Federal Funds Increase - The legislature approved authority to spend the increase in federal special revenue allocated by the National Endowment for Arts for Challenge America purposes. The Arts Council will award these funds as grants to local agencies.

DP 5 - Administrative Cost Adjustments - The legislature approved \$19,686 general fund, \$5,038 state special revenue, and \$17,013 federal funds over the biennium to reestablish per diem for the council and the Cultural & Aesthetic Projects and Citizens Advisory Panel, as well as basic adjustments to professional services, legal fees, printing, in-state lodging, and costs associated with updating the council's state and federally required strategic plan. Funding also provides for mid-tier processing and local area network administration from the Information Technology Services Division for approximately \$9,700 over the biennium.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|----------------|-----------------|------------------|-------------|-----------------|-----------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 3 - E-Grants and Data Base System - OTO | | | | | | | | | | |
| 01 | 0.00 | 5,000 | 0 | 0 | 5,000 | 0.00 | 5,000 | 0 | 0 | 5,000 |
| DP 100 - Reinstatement funding eliminated in 2003 session | | | | | | | | | | |
| 01 | 0.00 | 75,000 | 0 | 0 | 75,000 | 0.00 | 75,000 | 0 | 0 | 75,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 3,962 | 4,108 | 4,068 | 12,138 | 0.00 | 10,061 | 10,582 | 10,476 | 31,119 |
| DP 7001 - Additional Grant Money for Loss of C&A Int. - OTO | | | | | | | | | | |
| 01 | 0.00 | 100,275 | 0 | 0 | 100,275 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 0.00 | \$184,237 | \$4,108 | \$4,068 | \$192,413 | 0.00 | \$90,061 | \$10,582 | \$10,476 | \$111,119 |

DP 3 - E-Grants and Data Base System - OTO - The legislature approved \$10,000 of general fund over the biennium as a one-time-only, restricted appropriation for the Information Technology Services Division proposal to develop and design a data base and e-grants system for the Arts Council.

DP 100 - Reinstatement funding eliminated in 2003 session - The legislature added \$150,000 of general fund over the biennium to replace funding that was eliminated in the 2003 session for: 1) \$30,000 of the Arts Education program; 2) \$54,000 for the Arts Business Services operations; 3) \$32,000 of eliminated grants to local communities; and 4) \$34,000 of unspecified reductions.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

DP 7001 - Additional Grant Money for Loss of C&A Int. - OTO - The legislature approved a \$100,275 one-time-only, biennial, restricted general fund transfer to the Cultural & Aesthetic (C&A) Project Fund to provide additional resources for C&A grants administered by the Montana Arts Council. These funds replace reduced interest from the use of the Cultural and Aesthetic Trust corpus. In 1997, the legislature approved \$3.9 million to purchase Virginia and Nevada City properties, and in 2005, the legislature approved a \$500,000 transfer in HB 9 to fund the Great Plains Dinosaur Park in Malta. DP 7001 contains \$40,000 to replace a portion of the interest lost as a result of the 1997 reduction to the corpus and \$60,275 to replace projected loss of interest due to the HB 9 transfer. (\$3.4 million was transferred from the general fund to the trust corpus in HB9 to replace funds transferred by the 1997 legislature.)

Language

The legislature approved the following language for inclusion in HB2:

"All federal funds in [Montana Arts Council] are biennial appropriations."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 28.50 | 0.00 | 1.00 | 29.50 | 0.00 | 1.00 | 29.50 | 29.50 |
| Personal Services | 1,466,723 | (186,892) | 68,789 | 1,348,620 | (186,551) | 130,471 | 1,410,643 | 2,759,263 |
| Operating Expenses | 1,311,150 | (24,295) | 0 | 1,286,855 | (37,274) | 0 | 1,273,876 | 2,560,731 |
| Equipment | 74,885 | 3,534 | 70,000 | 148,419 | 5,300 | 0 | 80,185 | 228,604 |
| Grants | 423,332 | 883,316 | 57,907 | 1,364,555 | 277,655 | 58,598 | 759,585 | 2,124,140 |
| Total Costs | \$3,276,090 | \$675,663 | \$196,696 | \$4,148,449 | \$59,130 | \$189,069 | \$3,524,289 | \$7,672,738 |
| General Fund | 1,497,806 | 224,506 | 163,925 | 1,886,237 | 7,972 | 155,607 | 1,661,385 | 3,547,622 |
| State/Other Special | 1,020,396 | 28,351 | 32,771 | 1,081,518 | 28,352 | 33,462 | 1,082,210 | 2,163,728 |
| Federal Special | 757,888 | 422,806 | 0 | 1,180,694 | 22,806 | 0 | 780,694 | 1,961,388 |
| Total Funds | \$3,276,090 | \$675,663 | \$196,696 | \$4,148,449 | \$59,130 | \$189,069 | \$3,524,289 | \$7,672,738 |

Agency Description

The Library Commission, authorized in Section 22-1-101, MCA, administers state and federal library funding to operate and maintain the state library, oversees the six library federations located throughout Montana, and develops library oriented statewide long-range planning, policy, and service coordination.

Additional responsibilities of the commission include: assisting all tax-supported libraries and local governments wishing to establish or improve libraries; maintaining an audio book library for use by Montanans unable to utilize printed materials; providing access to state and federal publications; maintaining and providing information related to Montana's plant and animal species and habitat; as well as comprehensive land information.

Agency Highlights

| State Library Commission Major Budget Highlights | |
|--|--|
| Total funding increases over the FY 2004 base year are due to: | |
| ◆ New Proposals of \$385,700: | <ul style="list-style-type: none"> • \$140,000 to implement the pay plan adopted in HB 447 • \$116,400 to support the Library Federation and augment interlibrary loan reimbursements • \$59,300 to restore 1.0 FTE in Library Development that was lost in the general fund reduction for the 2005 biennium • \$70,000 to restore funding eliminated in the 2003 session. |
| ◆ Present law adjustments of \$987,000 primarily to: | <ul style="list-style-type: none"> • Match anticipated federal grant funds to a biennial appropriation • Remove five modified, federally funded positions from personal services • Apply standard base adjustments that reduced operating expenses |
| ◆ HB 482 increases the allocation of taxes collected under the Coal Severance Tax by 0.61 percent, providing the library an additional \$66,000 over the biennium from the coal severance tax shared account | |

Summary of Legislative Action

The legislature increased the FY 2004 base budget by \$1.1 million, the largest portion of which provided authority for the library commission to spend estimated federal grant funds and realign the biennial appropriation of the grant awards into the first year of the biennium.

The legislature reduced statewide present law adjustments by \$252,700 over the biennium to reflect a reduction in personal services for the removal of five federally funded, modified positions from the base year budget that offsets salary increases for reclassified positions and annualizing the pay plan. An additional increase of \$56,700 of state special revenue was approved to tie the Library Federation Program's revenue to projected annual expenditures.

The legislature also increased funding by \$385,700 to implement the pay plan adopted in HB 447, provide computer upgrades; add 1.0 FTE for clerical assistance, and increase Library Federation support and interlibrary loan reimbursements.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 28.50 | 29.50 | 29.50 | 0.00 | 29.50 | 29.50 | 0.00 | |
| Personal Services | 1,466,723 | 1,309,476 | 1,348,620 | 39,144 | 1,309,737 | 1,410,643 | 100,906 | 140,050 |
| Operating Expenses | 1,311,150 | 1,286,855 | 1,286,855 | 0 | 1,273,876 | 1,273,876 | 0 | 0 |
| Equipment | 74,885 | 148,419 | 148,419 | 0 | 80,185 | 80,185 | 0 | 0 |
| Grants | 423,332 | 1,331,784 | 1,364,555 | 32,771 | 726,123 | 759,585 | 33,462 | 66,233 |
| Total Costs | \$3,276,090 | \$4,076,534 | \$4,148,449 | \$71,915 | \$3,389,921 | \$3,524,289 | \$134,368 | \$206,283 |
| General Fund | 1,497,806 | 1,847,093 | 1,886,237 | 39,144 | 1,560,479 | 1,661,385 | 100,906 | 140,050 |
| State/Other Special | 1,020,396 | 1,048,747 | 1,081,518 | 32,771 | 1,048,748 | 1,082,210 | 33,462 | 66,233 |
| Federal Special | 757,888 | 1,180,694 | 1,180,694 | 0 | 780,694 | 780,694 | 0 | 0 |
| Total Funds | \$3,276,090 | \$4,076,534 | \$4,148,449 | \$71,915 | \$3,389,921 | \$3,524,289 | \$134,368 | \$206,283 |

The legislature increased the budget as recommended by the Governor by \$206,300: 1) \$140,000 general fund to implement the pay plan provided in HB 447; and 2) \$66,300 in state special revenue appropriated in HB 482, which increased the Coal Severance Tax allocated to the library from 7.75 percent to 8.36 percent in support of the six library federations that serve community libraries throughout the state.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

| | | Program Funding Table Statewide Library Resources | | | | | |
|-----------------|--------------------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,497,806 | 45.7% | \$ 1,886,237 | 45.5% | \$ 1,661,385 | 47.1% |
| | 01100 General Fund | 1,497,806 | 45.7% | 1,886,237 | 45.5% | 1,661,385 | 47.1% |
| 02000 | Total State Special Funds | 1,020,396 | 31.1% | 1,081,518 | 26.1% | 1,082,210 | 30.7% |
| | 02026 Nris State Special | 253,570 | 7.7% | 253,570 | 6.1% | 253,570 | 7.2% |
| | 02272 Renewable Resources Grnt/Loans | 42,339 | 1.3% | - | - | - | - |
| | 02340 Coal Sev. Tax Shared Ssr | 375,390 | 11.5% | 436,512 | 10.5% | 437,204 | 12.4% |
| | 02458 Reclamation & Development | 349,097 | 10.7% | 391,436 | 9.4% | 391,436 | 11.1% |
| 03000 | Total Federal Special Funds | 757,888 | 23.1% | 1,180,694 | 28.5% | 780,694 | 22.2% |
| | 03018 Library Commission | 716,569 | 21.9% | 1,150,694 | 27.7% | 750,694 | 21.3% |
| | 03930 Nris Federal Funds | 41,319 | 1.3% | 30,000 | 0.7% | 30,000 | 0.9% |
| Grand Total | | \$ 3,276,090 | 100.0% | \$ 4,148,449 | 100.0% | \$ 3,524,289 | 100.0% |

This program is funded with a combination of general fund, state special revenue, and federal funding.

General fund supports the interlibrary loan reimbursement program, state aid to libraries throughout Montana, and general operations.

State special revenue includes funding from:

- The coal severance tax shared account, which partly funds general operations, the periodical database, materials and on-line books, and library federation grants and support that help local libraries provide basic services
- The Resource Indemnity Trust (RIT) reclamation and development grants, which partly fund the Natural Heritage Program, Natural Resource Information System (NRIS), and the Water Information Program
- Contracts from departments such as Fish Wildlife and Parks, Transportation, DNRC, university system, and Environmental Quality, which partly fund work done by NRIS, and the Natural Heritage and Water Information Programs

Revenue from the coal severance tax shared account and renewable resource account is derived from interest earned by the Resource Indemnity (RIT) and Coal Tax Trusts, which are appropriated by the legislature as defined by the constitution. Please see DP 100 in the new proposal section and House Joint Resolution 36 in the following section on legislation for further discussion of these funding sources.

Federal Library Services and Technology Act (LSTA) funding provides grants to Montana libraries and supports state library personal services and operations.

A wide range of federal grants that come in amounts under \$50,000 per year help fund state library services and projects related to the Natural Heritage Program, NRIS, and the Water Information Program.

Other Legislation

House Bill 482 - This bill increases the allocation of taxes collected under the Coal Severance Tax by 0.61 percent, and allocates the increase to the programs designated in 15-35-108(3), MCA, one of which is the State Library Commission. The commission was appropriated an additional \$66,000 for the biennium in HB 2 with the passage of this bill, which brings the total Coal Severance Tax support for the Library to \$873,700.

House Joint Resolution 36 - This resolution recommends a review and analysis of the current funding formulas of the Resource Indemnity Trust. The recommendation is an outgrowth of the fact that three subcommittees appropriate funds to several agencies that statutorily get a portion of their revenues from resource indemnity taxes and/or trust earnings. There is presently no centralized legislative oversight of the appropriations that are approved in subcommittee. As a result, there is a potential for the fund to be over-appropriated or to have some funds appropriated that do not meet statutory requirements, thereby placing the stability of the funds at risk.

The State Library Commission is one of the agencies included in Resource Indemnity Trust funding, and its director will participate in the study group to examine funding priorities for, and use of funds related to the Resource Indemnity Trust.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|-------------|------------------|-----------------|------------------|--------------------|-------------|-------------------|-----------------|------------------|--------------------|
| | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | (137,057) | | | | | (136,700) |
| Vacancy Savings | | | | | (53,185) | | | | | (53,201) |
| Inflation/Deflation | | | | | 3,534 | | | | | 5,300 |
| Inflation/Deflation | | | | | (2,778) | | | | | (2,716) |
| Fixed Costs | | | | | 68,596 | | | | | 55,555 |
| Total Statewide Present Law Adjustments | | | | | (\$120,890) | | | | | (\$131,762) |
| DP 2 - Library Federation Support | 0.00 | 0 | 28,351 | 0 | 28,351 | 0.00 | 0 | 28,352 | 0 | 28,352 |
| DP 8 - Standard Base Adjustments | 0.00 | 107,278 | 0 | 660,924 | 768,202 | 0.00 | (98,384) | 0 | 260,924 | 162,540 |
| DP 10 - Transfer Base Exp. from Ren. Res. to Reclam. Dev. | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | 0.00 | \$107,278 | \$28,351 | \$660,924 | \$796,553 | 0.00 | (\$98,384) | \$28,352 | \$260,924 | \$190,892 |
| Grand Total All Present Law Adjustments | | | | | \$675,663 | | | | | \$59,130 |

DP 2 - Library Federation Support - The legislature increased state special revenue by \$56,703 over the biennium from the coal tax shared account to provide funding to the Library Federation Program to tie revenue to projected annual expenditures of approximately \$219,000 for the periodical database, \$56,000 for library on-line materials, and \$128,700 for federation activities.

DP 8 - Standard Base Adjustments - The legislature approved a net biennial adjustment to the general fund of \$8,894 to realign state-wide grants to public libraries and to reestablish zero-based per diem for commission members and volunteer insurance, as well as an adjustment to federal revenue of \$921,848 to increase authority to spend estimated federal grant awards and realign the biennial appropriation of the awards into the first year of the biennium.

DP 10 - Transfer Base Expenses from Renewable Resources to Reclamation and Development Grants - The legislature approved the transfer of the Natural Resource Information System's (NRIS) base funding from the Renewable Resources Grants to Reclamation and Development funding of the Resource Indemnity Trust because of cash flow problems in the Renewable Resources Grant Program. (The amounts are listed in the funding section.)

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|------------------|-----------------|-----------------|------------------|-------------|------------------|-----------------|-----------------|------------------|
| Program | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 100 - Additional funds for Library Federations / HB 482 | | | | | | | | | | |
| 01 | 0.00 | 0 | 32,771 | 0 | 32,771 | 0.00 | 0 | 33,462 | 0 | 33,462 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 39,144 | 0 | 0 | 39,144 | 0.00 | 100,906 | 0 | 0 | 100,906 |
| DP 7000 - Clerical Assistance in Library Development | | | | | | | | | | |
| 01 | 1.00 | 29,645 | 0 | 0 | 29,645 | 1.00 | 29,565 | 0 | 0 | 29,565 |
| DP 7001 - Interlibrary Loan Reimbursement | | | | | | | | | | |
| 01 | 0.00 | 25,136 | 0 | 0 | 25,136 | 0.00 | 25,136 | 0 | 0 | 25,136 |
| DP 7002 - Computer Equipment Upgrade - OTO | | | | | | | | | | |
| 01 | 0.00 | 70,000 | 0 | 0 | 70,000 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 1.00 | \$163,925 | \$32,771 | \$0 | \$196,696 | 1.00 | \$155,607 | \$33,462 | \$0 | \$189,069 |

DP 100 - Additional funds for Library Federations - HB 482 - The legislature added \$66,233 of state special revenue to the Library Commission with the passage of HB 482, which increased the Coal Severance Tax allocated to the local impact account from 7.75 percent to 8.36 percent. The local impact account funds support the six library federations that

serve community libraries across Montana. The federation uses RIT funding to: 1) cooperatively purchase technology, automated services, and unique library software; and 2) fund continuing education opportunities for local library staff.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

DP 7000 - Clerical Assistance in Library Development - The legislature approved the restoration of 1.00 FTE and approximately \$59,000 that was eliminated in the general fund reduction adopted by the 2003 legislature. The position provides clerical assistance in the library development department, which provides management and technology assistance to Montana libraries.

DP 7001 - Interlibrary Loan Reimbursement - The legislature approved \$25,136 per year general fund for the interlibrary loan reimbursements program for local libraries, returning slightly less than one third of the general fund reduction made by the last legislature as it addressed budget balancing measures.

DP 7002 - Computer Equipment Upgrade - OTO - The legislature added \$70,000 one-time-only, restricted, general fund for technology to protect library data and its delivery: a higher capacity tape backup system costing approximately \$25,000; a backup generator costing approximately \$35,000 to provide power for critical systems in the event of a power outage of long duration; and additional hard-disk storage to accommodate anticipated growth in storage needs costing approximately \$10,000.

Language

The legislature approved the following language for inclusion in HB2:

"Library Commission funding includes biennial appropriations of \$205,662 in general fund money and \$800,000 in federal funds for grants to local libraries."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 57.68 | (0.84) | 2.75 | 59.59 | (0.84) | 2.75 | 59.59 | 59.59 |
| Personal Services | 2,275,999 | 221,509 | (43,620) | 2,453,888 | 220,374 | 83,669 | 2,580,042 | 5,033,930 |
| Operating Expenses | 1,254,988 | 114,536 | (128,346) | 1,241,178 | 85,315 | (128,088) | 1,212,215 | 2,453,393 |
| Equipment | 9,910 | 75,668 | 0 | 85,578 | 892 | 0 | 10,802 | 96,380 |
| Grants | 194,795 | 0 | 0 | 194,795 | 0 | 0 | 194,795 | 389,590 |
| Transfers | 46,752 | 0 | 0 | 46,752 | 0 | 0 | 46,752 | 93,504 |
| Total Costs | \$3,782,444 | \$411,713 | (\$171,966) | \$4,022,191 | \$306,581 | (\$44,419) | \$4,044,606 | \$8,066,797 |
| General Fund | 1,715,418 | 238,053 | 151,417 | 2,104,888 | 143,144 | 232,358 | 2,090,920 | 4,195,808 |
| State/Other Special | 517,318 | 38,337 | (405,001) | 150,654 | 37,256 | (384,412) | 170,162 | 320,816 |
| Federal Special | 720,896 | 70,645 | 3,617 | 795,158 | 69,893 | 9,437 | 800,226 | 1,595,384 |
| Proprietary | 828,812 | 64,678 | 78,001 | 971,491 | 56,288 | 98,198 | 983,298 | 1,954,789 |
| Total Funds | \$3,782,444 | \$411,713 | (\$171,966) | \$4,022,191 | \$306,581 | (\$44,419) | \$4,044,606 | \$8,066,797 |

Agency Description

The Montana Historical Society (MHS), authorized by Title 22-3-101, MCA, exists for the use, learning, culture, and enjoyment of the citizens of, and visitors to, the State of Montana. The society acquires, preserves, and protects historical records, art, archives, museum objects, historical places, sites, and monuments. The society maintains a library and a historical museum, provides educational programs and services for teachers and the general public, and publishes the state historical magazine and newsletter. The society also administers preservation and antiquities acts, supports commissions with state historical orientation, and provides technical assistance to all Montana museums, historical societies, preservation programs, and owners of historic resources.

Agency Highlights

**Montana Historical Society
Major Budget Highlights**

The legislature approved a 2007 biennium budget that is \$501,000 greater than the FY 2004 base year primarily due to:

- ◆ A general fund increase of \$287,000 for the 2007 biennium pay plan
- ◆ Restricted, one-time-only general fund of \$75,000 for computer and security equipment
- ◆ The addition of \$200,880 over the biennium for 2.0 FTE in state records archivist positions
- ◆ Statewide and other present law adjustments
- ◆ Increased authority to expend \$131,000 of proprietary funds for costs associated with public requests, maintenance of the historic Governor's Mansion, and 0.75 FTE

The legislature also approved language requesting \$1.1 million from the Department of Commerce in facility lodging tax for society projects for the 2007 biennium.

Summary of Legislative Action

The legislature approved a total budget that is about \$500,000 over the FY 2004 base that includes \$1.4 million for increases in statewide and other present law adjustments, the addition of two new state archivists, authority to spend proprietary revenue from fees and sales, the purchase of computer and security equipment, and to implement the pay plan. The legislature reduced the budget by \$847,000 in state special revenue to eliminate a double appropriation in facility lodging tax, and by \$53,000 to permanently remove 0.84 FTE.

The general fund increase primarily maintains funding at the level of prior biennia while allowing the Historical Society to implement the 2007 biennium pay plan and to better meet two statutory obligations. A one-time-only appropriation of \$55,000 allows the Historical Society to replace and upgrade security systems and equipment to ensure the mandated protection of artwork, artifacts and archives at risk, including the C.M. Russell collection. A \$200,880 appropriation supports the addition of 2.0 FTE in state records archivist positions to allow the society to perform assessment, preservation, cataloging, and archiving of state records, and to better meet its mandate to receive, store, and provide permanent public access to non-current state government records. Incoming items include an annual average of 1,500 books, 200 maps, 600 microfilm reels, and 20,000 pictures in addition to all of the paper records from all branches of state government.

The reduction in state special revenue reflected in the funding chart does not reduce the services provided by the society. The decrease reflects the elimination of a double appropriation in lodging facility use taxes between the Department of Commerce and the society. Previous legislatures requested, through a language appropriation, that the Department of Commerce use a portion of the facility lodging use tax for Historical Society projects. The department complied, and provided funds as the Historical Society billed the Department for costs. Both agencies included the amount in their budget. The legislature eliminated the double appropriation while maintaining the intent of the legislature as stated in the language in HB 2.

Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the Legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | | |
|--|--------------|-------------|--------------|--------------|--------------|---------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Proprietary | Grand Total | Total % |
| 01 Administration Program | \$ 2,035,933 | \$ 158,194 | \$ 279,855 | \$ 885,729 | \$ 3,359,711 | 41.6% |
| 02 Library Program | 1,559,479 | 5,304 | - | 136,275 | 1,701,058 | 21.1% |
| 03 Museum Program | 414,985 | 112,637 | - | 23,229 | 550,851 | 6.8% |
| 04 Publications Program | 101,174 | - | - | 899,556 | 1,000,730 | 12.4% |
| 06 Historic Preservation Program | 84,237 | 44,681 | 1,315,529 | 10,000 | 1,454,447 | 18.0% |
| Grand Total | \$ 4,195,808 | \$ 320,816 | \$ 1,595,384 | \$ 1,954,789 | \$ 8,066,797 | 100.0% |

Other Legislation

House Bill 17 – This bill requires that all money received by the Montana Historical Society through donations, gifts, bequests, or legacies be used for general operations of the society if the donations are over \$500 and otherwise undesignated, and directs revenues earned from sales of donated items to be placed in the acquisitions trust. There is no guarantee of the size or quantity of undesignated donations; annual donations averaged \$2,676 over the last three fiscal years.

House Bill 301 – This bill provides revenue from the sale of Lewis and Clark Bicentennial specialty license plates to the Montana Historical Society and the Department of Commerce beginning January 1, 2007 for projects related to Lewis and Clark. The revenue is to be split one-fourth to the Historical Society and three-fourth to the Department of Commerce. The estimated share for the Historical Society, which will be available for FY 2007, is \$18,787.

House Bill 540 – This bill appropriates bond proceeds to the Department of Administration for management of capital projects. One of the projects is for \$7.5 million towards a new building for the Montana Historical Society that would expand the society's present leased space of 90,000 gross square feet to at least 200,000 square feet. Present estimates indicate that on-going operation and maintenance costs of \$2 million to the Historical Society would be partially off-set by in-filling the current leased space to generate \$.8 million for the state, and renting the 50,000 square feet of unused space in the new facility at \$15 per square foot per year to generate \$1.5 million.

House Bill 5 – This bill provides \$30,000,000 in private authority to allow the Montana Historical Society to raise funds in grants and donations, and to allow the Department of Administration to expend these funds on costs related to the society's new building project.

This bill also provides \$1,000,000 in authority to the Department of Administration to spend private donations raised by the Historical Society on the renovation of the Haynes Gallery Area, which will most likely be completed prior to the next legislative session. The renovated gallery area will be moved in tact should the society relocate.

House Bill 27 – This bill allows the Montana Historical Society to conduct a biennial review rather than a quarterly audit of nonprofit corporations that manage state-owned historic sites or buildings, or to conduct an audit when determined necessary. This adjustment allows the society to better balance its mandated workload to existing staff.

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg – Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg – Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
|---------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| FTE | 57.68 | 57.59 | 59.59 | 2.00 | 57.59 | 59.59 | 2.00 | |
| Personal Services | 2,275,999 | 2,527,432 | 2,453,888 | (73,544) | 2,526,256 | 2,580,042 | 53,786 | (19,758) |
| Operating Expenses | 1,254,988 | 1,405,124 | 1,241,178 | (163,946) | 1,375,903 | 1,212,215 | (163,688) | (327,634) |
| Equipment | 9,910 | 75,578 | 85,578 | 10,000 | 20,802 | 10,802 | (10,000) | 0 |
| Grants | 194,795 | 194,795 | 194,795 | 0 | 194,795 | 194,795 | 0 | 0 |
| Transfers | 46,752 | 46,752 | 46,752 | 0 | 46,752 | 46,752 | 0 | 0 |
| Total Costs | \$3,782,444 | \$4,249,681 | \$4,022,191 | (\$227,490) | \$4,164,508 | \$4,044,606 | (\$119,902) | (\$347,392) |
| General Fund | 1,715,418 | 1,943,471 | 2,104,888 | 161,417 | 1,868,562 | 2,090,920 | 222,358 | 383,775 |
| State/Other Special | 517,318 | 555,655 | 150,654 | (405,001) | 554,574 | 170,162 | (384,412) | (789,413) |
| Federal Special | 720,896 | 791,541 | 795,158 | 3,617 | 790,789 | 800,226 | 9,437 | 13,054 |
| Proprietary | 828,812 | 959,014 | 971,491 | 12,477 | 950,583 | 983,298 | 32,715 | 45,192 |
| Total Funds | \$3,782,444 | \$4,249,681 | \$4,022,191 | (\$227,490) | \$4,164,508 | \$4,044,606 | (\$119,902) | (\$347,392) |

The legislature reduced the total executive budget nearly \$350,000 by eliminating a double appropriation in state special revenue facility lodging use tax, while increasing general fund by \$200,880 to fund two state records archivist positions and related operating costs, and \$287,000 to implement the pay plan provided in HB 447.

Language
The legislature approved the following language for inclusion in HB2:

"It is the intent of the legislature that the department of commerce use lodging facility use taxes to fund \$625,703 in fiscal year 2006 and \$521,562 in fiscal year 2007 for the Montana historical society. This would be expended as follows:

| | | |
|--|-----------|-----------|
| Historical Interpretation | \$197,631 | \$190,392 |
| Scriver Collection | 128,072 | 131,170 |
| Lewis and Clark Exhibit and Interpretation | 100,000 | 100,000 |
| Lewis and Clark Bicentennial Commission | 200,000 | 100,000 |

The Lewis and Clark bicentennial commission intends to terminate its activities December 31, 2006, reducing the need for lodging facility use tax in fiscal year 2007 to \$100,000."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 17.58 | 0.00 | 0.75 | 18.33 | 0.00 | 0.75 | 18.33 | 18.33 |
| Personal Services | 727,347 | 69,612 | 37,353 | 834,312 | 69,014 | 77,537 | 873,898 | 1,708,210 |
| Operating Expenses | 703,321 | 133,786 | (34,178) | 802,929 | 104,355 | (34,178) | 773,498 | 1,576,427 |
| Equipment | 0 | 75,074 | 0 | 75,074 | 0 | 0 | 0 | 75,074 |
| Total Costs | \$1,430,668 | \$278,472 | \$3,175 | \$1,712,315 | \$173,369 | \$43,359 | \$1,647,396 | \$3,359,711 |
| General Fund | 864,130 | 170,116 | 17,577 | 1,051,823 | 74,689 | 45,291 | 984,110 | 2,035,933 |
| State/Other Special | 115,933 | 31,449 | (67,717) | 79,665 | 30,313 | (67,717) | 78,529 | 158,194 |
| Federal Special | 88,686 | 44,746 | 3,617 | 137,049 | 44,683 | 9,437 | 142,806 | 279,855 |
| Proprietary | 361,919 | 32,161 | 49,698 | 443,778 | 23,684 | 56,348 | 441,951 | 885,729 |
| Total Funds | \$1,430,668 | \$278,472 | \$3,175 | \$1,712,315 | \$173,369 | \$43,359 | \$1,647,396 | \$3,359,711 |

Program Description

The Administration Program provides supervision, administration, and coordination of the five programs in the Montana Historical Society. Program staff is responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, historic research, and historic interpretation.

Program Highlights

| Administration Program Major Budget Highlights | |
|--|---|
| The legislature approved a budget that is \$500,000 greater than the FY 2004 base year primarily due to: | |
| ♦ | Increased authority to expend \$91,000 of proprietary funds |
| ♦ | A general fund increase of \$90,900 to implement the pay plan |
| ♦ | One-time-only funding of \$75,000 for computer and security equipment upgrades and replacements |
| ♦ | Statewide present law adjustments |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|------------------------|-------------------------------------|--------------|-----------|--------------|-------------|--------------|-------------|
| Administration Program | | | | | | | |
| Program Funding | | Base | % of Base | Budget | % of Budget | Budget | % of Budget |
| | | FY 2004 | FY 2004 | FY 2006 | FY 2006 | FY 2007 | FY 2007 |
| 01000 | Total General Fund | \$ 864,130 | 60.4% | \$ 1,051,823 | 61.4% | \$ 984,110 | 59.7% |
| | 01100 General Fund | 864,130 | 60.4% | 1,051,823 | 61.4% | 984,110 | 59.7% |
| 02000 | Total State Special Funds | 115,933 | 8.1% | 79,665 | 4.7% | 78,529 | 4.8% |
| | 02007 Accomodations Tax | 67,717 | 4.7% | - | - | - | - |
| | 02041 Mt Hist. Society Donations | 48,216 | 3.4% | 79,665 | 4.7% | 78,529 | 4.8% |
| 03000 | Total Federal Special Funds | 88,686 | 6.2% | 137,049 | 8.0% | 142,806 | 8.7% |
| | 03021 Historic Sites Preservation | 88,686 | 6.2% | 137,049 | 8.0% | 142,806 | 8.7% |
| 06000 | Total Proprietary Funds | 361,919 | 25.3% | 443,778 | 25.9% | 441,951 | 26.8% |
| | 06071 Merchandise - Historical Soc | 284,238 | 19.9% | 328,502 | 19.2% | 327,785 | 19.9% |
| | 06073 Historical Society Management | 77,681 | 5.4% | 115,276 | 6.7% | 114,166 | 6.9% |
| Grand Total | | \$ 1,430,668 | 100.0% | \$ 1,712,315 | 100.0% | \$ 1,647,396 | 100.0% |

This program is funded with general fund; state special revenue funds from donations; federal funds from administration of National Parks Service programs; and proprietary funds from charges to the Lewis and Clark Commission for services provided by the Montana Historical Society, museum entrance fees, and merchandise sales.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 102,820 | | | | | 102,194 |
| Vacancy Savings | | | | (33,208) | | | | | (33,180) |
| Inflation/Deflation | | | | (2,359) | | | | | (2,348) |
| Fixed Costs | | | | 136,145 | | | | | 106,703 |
| Total Statewide Present Law Adjustments | | | | \$203,398 | | | | | \$173,369 |
| DP 1 - Security Equipment Replacement - OTO | | | | | | | | | |
| 0.00 | 55,074 | 0 | 0 | 55,074 | 0.00 | 0 | 0 | 0 | 0 |
| DP 7000 - Computer Server Replacement -OTO | | | | | | | | | |
| 0.00 | 20,000 | 0 | 0 | 20,000 | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$75,074 | \$0 | \$0 | \$75,074 | 0.00 | \$0 | \$0 | \$0 | \$0 |
| Grand Total All Present Law Adjustments | | | | \$278,472 | | | | | \$173,369 |

DP 1 - Security Equipment Replacement - OTO - The legislature approved one-time-only, restricted general fund of \$55,074 for replacement of security systems and equipment within the Historical Society's galleries and exhibits to ensure the protection and security of artwork, artifacts and archives at risk, including the C.M. Russell collection.

DP 7000 - Computer Server Replacement -OTO - The legislature approved a biennial, one-time-only, restricted general fund appropriation of \$20,000 for two servers. Any remaining balance may be used by the society for priority computer equipment needs.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|---|------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 4 - Entrance Fee Collection and Exhibits | | | | | | | | | | |
| 01 | 0.75 | 0 | 0 | 0 | 27,219* | 0.75 | 0 | 0 | 0 | 27,178* |
| DP 10 - Registration Fees | | | | | | | | | | |
| 01 | 0.00 | 0 | 0 | 0 | 18,305* | 0.00 | 0 | 0 | 0 | 18,305* |
| DP 222 - Eliminate lodging facility use tax appropriation | | | | | | | | | | |
| 01 | 0.00 | 0 | (67,717) | 0 | (67,717) | 0.00 | 0 | (67,717) | 0 | (67,717) |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 17,577 | 0 | 3,617 | 25,368* | 0.00 | 45,291 | 0 | 9,437 | 65,593* |
| Total | 0.75 | \$17,577 | (\$67,717) | \$3,617 | \$3,175* | 0.75 | \$45,291 | (\$67,717) | \$9,437 | \$43,359* |

DP 4 - Entrance Fee Collection and Exhibits - The legislature approved spending authority of \$54,397 proprietary funds from museum entrance fees over the biennium for 0.75 FTE to provide fee collection for the museum and additional funding for the Museum Program.

DP 10 - Registration Fees - The legislature approved authority to expend fees charged to participants for the Montana History Conference. Of the \$18,300 approved for each year, \$12,700 goes toward personal services, \$1,000 to outside consultants, and \$4,600 to printing and graphics, mailing, shipping, and handling.

DP 222 - Eliminate lodging facility use tax appropriation - The legislature removed \$67,717 of state special revenue increases each year of the biennium from the Montana Historical Society budget to eliminate a double appropriation between the Department of Commerce and the society. This DP eliminates the double appropriation of lodging facility tax while maintaining the intent of the legislature as stated in the language in HB 2.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the House Bill 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 14.25 | (0.16) | 2.00 | 16.09 | (0.16) | 2.00 | 16.09 | 16.09 |
| Personal Services | 568,431 | 45,175 | 89,339 | 702,945 | 44,924 | 122,223 | 735,578 | 1,438,523 |
| Operating Expenses | 101,901 | (588) | 19,170 | 120,483 | (583) | 19,428 | 120,746 | 241,229 |
| Equipment | 9,910 | 594 | 0 | 10,504 | 892 | 0 | 10,802 | 21,306 |
| Total Costs | \$680,242 | \$45,181 | \$108,509 | \$833,932 | \$45,233 | \$141,651 | \$867,126 | \$1,701,058 |
| General Fund | 600,422 | 42,651 | 120,627 | 763,700 | 42,655 | 152,702 | 795,779 | 1,559,479 |
| State/Other Special | 24,066 | 1,314 | (22,756) | 2,624 | 1,370 | (22,756) | 2,680 | 5,304 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 55,754 | 1,216 | 10,638 | 67,608 | 1,208 | 11,705 | 68,667 | 136,275 |
| Total Funds | \$680,242 | \$45,181 | \$108,509 | \$833,932 | \$45,233 | \$141,651 | \$867,126 | \$1,701,058 |

Program Description

The Library Program consists of the library, archives, and photo archives functions. This program acquires, organizes, preserves, and makes accessible to the public published materials, historic records and manuscripts, photographs and related media, and oral history illustrative of the history of Montana, the surrounding region, and the Trans-Mississippi West. This program houses the official Archives of State Government and the Legislature. It assists researchers seeking historical information.

Program Highlights

| Library Program Major Budget Highlights |
|--|
| <p>The legislature approved a budget that is \$340,000 greater than the FY 2004 base year primarily due to:</p> <ul style="list-style-type: none">◆ Increased authority to expend \$20,000 of proprietary funds◆ The addition of \$200,880 over the biennium for 2.0 FTE in state records archivist positions◆ Statewide present law adjustments◆ A general fund increase of \$74,800 to implement the pay plan |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-----------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Library Program | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 600,422 | 88.3% | \$ 763,700 | 91.6% | \$ 795,779 | 91.8% |
| | 01100 General Fund | 600,422 | 88.3% | 763,700 | 91.6% | 795,779 | 91.8% |
| 02000 | Total State Special Funds | 24,066 | 3.5% | 2,624 | 0.3% | 2,680 | 0.3% |
| | 02007 Accomodations Tax | 22,756 | 3.3% | - | - | - | - |
| | 02041 Mt Hist. Society Donations | 1,310 | 0.2% | 2,624 | 0.3% | 2,680 | 0.3% |
| 06000 | Total Proprietary Funds | 55,754 | 8.2% | 67,608 | 8.1% | 68,667 | 7.9% |
| | 06072 Misc Enterprise-Historical Soc | 33,138 | 4.9% | 35,677 | 4.3% | 36,735 | 4.2% |
| | 06076 Mhs Library Enterprise Funds | 22,616 | 3.3% | 31,931 | 3.8% | 31,932 | 3.7% |
| Grand Total | | \$ 680,242 | 100.0% | \$ 833,932 | 100.0% | \$ 867,126 | 100.0% |

The program is funded with a combination of general fund, state special revenue funds, and proprietary funds from the sale of photographs, photocopies, and fees charged for research time spent by staff on public requests.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|-----------------|-----------------------|-----------------|------------------|--------------------|-----------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 77,603 | | | | | 77,343 |
| Vacancy Savings | | | | (25,841) | | | | | (25,832) |
| Inflation/Deflation | | | | 594 | | | | | 892 |
| Inflation/Deflation | | | | (338) | | | | | (333) |
| Fixed Costs | | | | (250) | | | | | (250) |
| Total Statewide Present Law Adjustments | | | | \$51,768 | | | | | \$51,820 |
| DP 11 - Statewide FTE Reduction | | | | | | | | | |
| (0.16) | (6,587) | 0 | 0 | (6,587) | (0.16) | (6,587) | 0 | 0 | (6,587) |
| Total Other Present Law Adjustments | | | | | | | | | |
| (0.16) | (\$6,587) | \$0 | \$0 | (\$6,587) | (0.16) | (\$6,587) | \$0 | \$0 | (\$6,587) |
| Grand Total All Present Law Adjustments | | | | \$45,181 | | | | | \$45,233 |

DP 11 - Statewide FTE Reduction - The legislature approved a permanent reduction of 0.16 FTE and \$6,587 general fund each year equivalent to the reductions taken in the 2003 legislative session.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - Library Sales Increase | | | | | | | | | | |
| 02 | 0.00 | 0 | 0 | 0 | 10,000* | 0.00 | 0 | 0 | 0 | 10,000* |
| DP 333 - Eliminate lodging facility use tax appropriation | | | | | | | | | | |
| 02 | 0.00 | 0 | (22,756) | 0 | (22,756) | 0.00 | 0 | (22,756) | 0 | (22,756) |
| DP 445 - Establish two State Records Archivist positions | | | | | | | | | | |
| 02 | 2.00 | 100,440 | 0 | 0 | 100,440 | 2.00 | 100,440 | 0 | 0 | 100,440 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 02 | 0.00 | 20,187 | 0 | 0 | 20,825* | 0.00 | 52,262 | 0 | 0 | 53,967* |
| Total | 2.00 | \$120,627 | (\$22,756) | \$0 | \$108,509* | 2.00 | \$152,702 | (\$22,756) | \$0 | \$141,651* |

DP 1 - Library Sales Increase - The legislature approved authority to expend \$20,000 of proprietary revenue from the library sales enterprise fund over the biennium for operating costs such as microfilming, copy expenses, and various other expenses that occur in meeting the public's request for state records. The society collects fees for service from the public to meet the expenses of public requests.

DP 333 - Eliminate lodging facility use tax appropriation - The legislature removed \$22,756 of state special revenue increases each year of the biennium from the Montana Historical Society budget to eliminate a double appropriation between the Department of Commerce and the society. This DP eliminates the double appropriation of lodging facility tax while maintaining the intent of the legislature as stated in the language in HB 2.

DP 445 - Establish two State Records Archivist positions - The legislature approved \$200,880 general fund over the biennium to fund two state records archivist positions to allow the Montana Historical Society to perform assessment, preservation, cataloging, and archiving of state records as required by state code. The annual amounts allow for \$89,000 in personal services and \$11,440 in related operating costs for a total of \$100,440 per year.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 10.35 | (0.68) | 0.00 | 9.67 | (0.68) | 0.00 | 9.67 | 9.67 |
| Personal Services | 376,757 | 34,185 | (190,989) | 219,953 | 34,176 | (170,153) | 240,780 | 460,733 |
| Operating Expenses | 164,321 | (925) | (118,338) | 45,058 | (923) | (118,338) | 45,060 | 90,118 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Costs | \$541,078 | \$33,260 | (\$309,327) | \$265,011 | \$33,253 | (\$288,491) | \$285,840 | \$550,851 |
| General Fund | 158,556 | 26,274 | 12,583 | 197,413 | 26,269 | 32,747 | 217,572 | 414,985 |
| State/Other Special | 377,319 | 5,574 | (326,910) | 55,983 | 5,573 | (326,238) | 56,654 | 112,637 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 5,203 | 1,412 | 5,000 | 11,615 | 1,411 | 5,000 | 11,614 | 23,229 |
| Total Funds | \$541,078 | \$33,260 | (\$309,327) | \$265,011 | \$33,253 | (\$288,491) | \$285,840 | \$550,851 |

Program Description

The Museum Program collects, preserves, and interprets the history of Montana through its material culture. The museum collects fine arts and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits, tours and traveling exhibits. The program also houses the society's education office that orchestrates events, programs, and materials on Montana history for learners of all ages.

Program Highlights

| Museum Program Major Budget Highlights |
|--|
| <p>The legislature approved a budget that is \$540,000 less than the FY 2004 base year primarily due to:</p> <ul style="list-style-type: none"> ◆ A reduction of \$666,000 for lodging facility use tax and \$40,000 to eliminate 0.68 FTE <p>The legislature approved increases in general fund for:</p> <ul style="list-style-type: none"> ◆ Statewide present law adjustments ◆ \$46,800 to implement the pay plan <p>The legislature also increased authority to expend \$10,000 of proprietary funds</p> |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|--------------------------------------|-----------------------|-----------|------------|-------------|------------|-------------|
| | | Museum Program | | | | | |
| Program Funding | | Base | % of Base | Budget | % of Budget | Budget | % of Budget |
| | | FY 2004 | FY 2004 | FY 2006 | FY 2006 | FY 2007 | FY 2007 |
| 01000 | Total General Fund | \$ 158,556 | 29.3% | \$ 197,413 | 74.5% | \$ 217,572 | 76.1% |
| | 01100 General Fund | 158,556 | 29.3% | 197,413 | 74.5% | 217,572 | 76.1% |
| 02000 | Total State Special Funds | 377,319 | 69.7% | 55,983 | 21.1% | 56,654 | 19.8% |
| | 02007 Accomodations Tax | 327,309 | 60.5% | - | - | - | - |
| | 02041 Mt Hist. Society Donations | 49,177 | 9.1% | 55,162 | 20.8% | 55,833 | 19.5% |
| | 02045 Orig Gov'S Mansion Restoration | 833 | 0.2% | 821 | 0.3% | 821 | 0.3% |
| 06000 | Total Proprietary Funds | 5,203 | 1.0% | 11,615 | 4.4% | 11,614 | 4.1% |
| | 06077 Mhs Museum Enterprise Funds | 5,203 | 1.0% | 11,615 | 4.4% | 11,614 | 4.1% |
| Grand Total | | \$ 541,078 | 100.0% | \$ 265,011 | 100.0% | \$ 285,840 | 100.0% |

The program is funded with a combination of general fund; state special revenue funds including donations; and proprietary funds from the sales of books, copies, photographs, and rental of traveling exhibits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | 71,892 | | | | | 71,883 |
| Vacancy Savings | | | | | (17,946) | | | | | (17,946) |
| Inflation/Deflation | | | | | (925) | | | | | (923) |
| Total Statewide Present Law Adjustments | | | | | \$53,021 | \$53,014 | | | | |
| DP 10 - Statewide FTE reduction | (0.68) | (19,761) | 0 | 0 | (19,761) | (0.68) | (19,761) | 0 | 0 | (19,761) |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | (0.68) | (\$19,761) | \$0 | \$0 | (\$19,761) | (0.68) | (\$19,761) | \$0 | \$0 | (\$19,761) |
| Grand Total All Present Law Adjustments | | | | | \$33,260 | \$33,253 | | | | |

DP 10 - Statewide FTE reduction - The legislature approved a permanent 0.68 FTE and \$19,761 general fund reduction each year equivalent to the reductions taken in the 2003 legislative session.

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|--------------|-----------------------|--------------|---------------|-----------------|--------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 6 - Server Collections Storage Rent | | | | | | | | | | |
| 03 | 0.00 | 0 | 7,921 | 0 | 7,921 | 0.00 | 0 | 3,780 | 0 | 3,780 |
| DP 7 - Original Governor's Mansion Entrance Fees | | | | | | | | | | |
| 03 | 0.00 | 0 | 0 | 0 | 5,000* | 0.00 | 0 | 0 | 0 | 5,000* |
| DP 444 - Eliminate lodging facility use tax appropriation | | | | | | | | | | |
| 03 | 0.00 | 0 | (335,230) | 0 | (335,230) | 0.00 | 0 | (331,089) | 0 | (331,089) |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 03 | 0.00 | 12,583 | 399 | 0 | 12,982 | 0.00 | 32,747 | 1,071 | 0 | 33,818 |
| Total | 0.00 | \$12,583 | (\$326,910) | \$0 | (\$309,327)* | 0.00 | \$32,747 | (\$326,238) | \$0 | (\$288,491)* |

DP 6 - Scriver Collections Storage Rent - The legislature added \$11,701 to state special revenue for the standard negotiated annual increase in rent for secured storage of the Scriver Collection.

DP 7 - Original Governor's Mansion Entrance Fees - The legislature approved authority to spend \$5,000 in entrance fees each year of the biennium for minor restoration projects at the Original Governor's Mansion.

DP 444 - Eliminate lodging facility use tax appropriation - The legislature removed \$335,230 in FY 2006 and \$331,089 in FY 2007 of state special revenue increases from the Montana Historical Society budget to eliminate a double appropriation between the Department of Commerce and the society. This DP eliminates the double appropriation of lodging facility tax while maintaining the intent of the legislature as stated in the language in HB 2.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 6.00 | 0.00 | 0.00 | 6.00 | 0.00 | 0.00 | 6.00 | 6.00 |
| Personal Services | 206,240 | 39,305 | 7,665 | 253,210 | 39,568 | 20,145 | 265,953 | 519,163 |
| Operating Expenses | 199,696 | (5,665) | 0 | 194,031 | (5,664) | 0 | 194,032 | 388,063 |
| Transfers | 46,752 | 0 | 0 | 46,752 | 0 | 0 | 46,752 | 93,504 |
| Total Costs | \$452,688 | \$33,640 | \$7,665 | \$493,993 | \$33,904 | \$20,145 | \$506,737 | \$1,000,730 |
| General Fund | 46,752 | 3,751 | 0 | 50,503 | 3,919 | 0 | 50,671 | 101,174 |
| State/Other Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 405,936 | 29,889 | 7,665 | 443,490 | 29,985 | 20,145 | 456,066 | 899,556 |
| Total Funds | \$452,688 | \$33,640 | \$7,665 | \$493,993 | \$33,904 | \$20,145 | \$506,737 | \$1,000,730 |

Program Description

The Publications Program promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the award-winning Montana The Magazine of Western History and the Montana Post, the official newsletter of the society. It also publishes books under the Montana Historical Society Press imprint and operates the museum store.

Program Highlights

**Publications Program
Major Budget Highlights**

The legislature approved a budget that is \$95,300 greater than the FY 2004 base year primarily due to:

- ◆ Statewide present law adjustments
- ◆ A general fund increase of \$27,800 to implement the pay plan

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|-----------------------|-----------------------------------|--------------|-------------------|----------------|---------------------|----------------|---------------------|
| Publications Program | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 46,752 | 10.3% | \$ 50,503 | 10.2% | \$ 50,671 | 10.0% |
| | 01100 General Fund | 46,752 | 10.3% | 50,503 | 10.2% | 50,671 | 10.0% |
| 06000 | Total Proprietary Funds | 405,936 | 89.7% | 443,490 | 89.8% | 456,066 | 90.0% |
| | 06002 Mhs Publications Enterprise | 405,936 | 89.7% | 443,490 | 89.8% | 456,066 | 90.0% |
| Grand Total | | \$ 452,688 | 100.0% | \$ 493,993 | 100.0% | \$ 506,737 | 100.0% |

The program is funded with a combination of general fund and proprietary funds. The general fund, budgeted as a transfer, pays a portion of 2.00 FTE involved in publishing Montana the Magazine of Western History. The transfer allows these funds to be spent from the proprietary accounts, in accordance with generally accepted accounting principles.

The proprietary funds are enterprise funds from the sale of magazines and books. They support program operations including the museum store, the magazine and other publications, and the historical society press.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|-----|--------------|---------------|-----------------|-----------------|-----------------------|-----|--------------|---------------|-----------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Total Funds |
| Personal Services | | | | | 49,536 | | | | | 49,810 |
| Vacancy Savings | | | | | (10,231) | | | | | (10,242) |
| Inflation/Deflation | | | | | (1,744) | | | | | (1,743) |
| Fixed Costs | | | | | (3,921) | | | | | (3,921) |
| Total Statewide Present Law Adjustments | | | | | \$33,640 | | | | | \$33,904 |
| Grand Total All Present Law Adjustments | | | | | \$33,640 | | | | | \$33,904 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------|---------------|-----------------|-----------------|-----------------------|------------|--------------|---------------|------------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Total Funds |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 04 | 0.00 | 0 | 0 | 0 | 7,665* | 0.00 | 0 | 0 | 0 | 20,145* |
| Total | 0.00 | \$0 | \$0 | \$0 | \$7,665* | 0.00 | \$0 | \$0 | \$0 | \$20,145* |

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 9.50 | 0.00 | 0.00 | 9.50 | 0.00 | 0.00 | 9.50 | 9.50 |
| Personal Services | 397,224 | 33,232 | 13,012 | 443,468 | 32,692 | 33,917 | 463,833 | 907,301 |
| Operating Expenses | 85,749 | (12,072) | 5,000 | 78,677 | (11,870) | 5,000 | 78,879 | 157,556 |
| Grants | 194,795 | 0 | 0 | 194,795 | 0 | 0 | 194,795 | 389,590 |
| Total Costs | \$677,768 | \$21,160 | \$18,012 | \$716,940 | \$20,822 | \$38,917 | \$737,507 | \$1,454,447 |
| General Fund | 45,558 | (4,739) | 630 | 41,449 | (4,388) | 1,618 | 42,788 | 84,237 |
| State/Other Special | 0 | 0 | 12,382 | 12,382 | 0 | 32,299 | 32,299 | 44,681 |
| Federal Special | 632,210 | 25,899 | 0 | 658,109 | 25,210 | 0 | 657,420 | 1,315,529 |
| Proprietary | 0 | 0 | 5,000 | 5,000 | 0 | 5,000 | 5,000 | 10,000 |
| Total Funds | \$677,768 | \$21,160 | \$18,012 | \$716,940 | \$20,822 | \$38,917 | \$737,507 | \$1,454,447 |

Program Description

The Historic Sites Preservation Program administers the Montana Antiquities Act and Montana's participation in federal Historic Preservation Act and the federal grants-in-aid for historic preservation. Staff provides technical assistance to all Montana property owners. Staff review all proposed federally funded or permitted projects within the state to determine their effect on properties listed or eligible for listing on the National Register of Historic Places. The office certifies historic structures and rehabilitation projects for federal tax credits to citizens and businesses authorized by the Tax Reform Act of 1976. The program awards federal grants to local governments, communities, and individuals for: 1) the Certified Local Government Program, 2) historic survey and planning for historic areas, and 3) bricks and mortar rehabilitation when funds are available.

Program Highlights

| Historic Preservation Program Major Budget Highlights | |
|---|--|
| <p>The legislature approved a budget that is \$100,000 greater than the FY 2004 base year primarily due to:</p> <ul style="list-style-type: none"> ◆ Increased authority to expend \$10,000 of proprietary funds ◆ Statewide present law adjustments ◆ A general fund increase of \$47,000 to implement the pay plan | |

Funding

The program is funded with a combination of general fund and federal special revenue from National Park Service Grants.

| | | Program Funding Table Historic Preservation Program | | | | | |
|-----------------|-------------------------------------|--|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 45,558 | 6.7% | \$ 41,449 | 5.8% | \$ 42,788 | 5.8% |
| | 01100 General Fund | 45,558 | 6.7% | 41,449 | 5.8% | 42,788 | 5.8% |
| 02000 | Total State Special Funds | - | - | 12,382 | 1.7% | 32,299 | 4.4% |
| | 02041 Mt Hist. Society Donations | - | - | 12,382 | 1.7% | 32,299 | 4.4% |
| 03000 | Total Federal Special Funds | 632,210 | 93.3% | 658,109 | 91.8% | 657,420 | 89.1% |
| | 03021 Historic Sites Preservation | 632,210 | 93.3% | 658,109 | 91.8% | 657,420 | 89.1% |
| 06000 | Total Proprietary Funds | - | - | 5,000 | 0.7% | 5,000 | 0.7% |
| | 06073 Historical Society Management | - | - | 5,000 | 0.7% | 5,000 | 0.7% |
| Grand Total | | \$ 677,768 | 100.0% | \$ 716,940 | 100.0% | \$ 737,507 | 100.0% |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|-----------------|------------------|--------------------|----------------|-----------------------|-----------------|------------------|--------------------|----------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 51,168 | | | | | 50,603 |
| Vacancy Savings | | | | (17,936) | | | | | (17,911) |
| Inflation/Deflation | | | | (393) | | | | | (377) |
| Fixed Costs | | | | (11,679) | | | | | (11,493) |
| Total Statewide Present Law Adjustments | | | | \$21,160 | | | | | \$20,822 |
| Grand Total All Present Law Adjustments | | | | \$21,160 | | | | | \$20,822 |

New Proposals

| New Proposals | | | | | | | | | | |
|---|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 11 - SHPO Photocopy Fees | | | | | | | | | | |
| 06 | 0.00 | 0 | 0 | 0 | 5,000* | 0.00 | 0 | 0 | 0 | 5,000* |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 06 | 0.00 | 630 | 12,382 | 0 | 13,012 | 0.00 | 1,618 | 32,299 | 0 | 33,917 |
| Total | 0.00 | \$630 | \$12,382 | \$0 | \$18,012* | 0.00 | \$1,618 | \$32,299 | \$0 | \$38,917* |

DP 11 - SHPO Photocopy Fees - The legislature approved spending authority of \$10,000 proprietary funds over the biennium for fees generated from photocopies at the State Historic Preservation Office of the Montana Historical Society to pay for a portion of the monthly copy machine rental, fax machine maintenance, and postage as well as to help purchase miscellaneous office and equipment supplies.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation.

| Agency Legislative Budget | | | | | | | | |
|---------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 90.05 | 1.00 | 9.00 | 100.05 | 1.00 | 9.00 | 100.05 | 100.05 |
| Personal Services | 4,330,416 | (161,085) | 603,016 | 4,772,347 | (160,584) | 843,671 | 5,013,503 | 9,785,850 |
| Operating Expenses | 4,088,819 | 197,024 | 561,414 | 4,847,257 | 189,208 | 511,449 | 4,789,476 | 9,636,733 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 6,395,234 | 989,185 | 655,997 | 8,040,416 | 1,355,290 | 914,993 | 8,665,517 | 16,705,933 |
| Grants | 10,748,488 | 2,239,721 | 2,829,750 | 15,817,959 | 2,244,211 | 2,056,250 | 15,048,949 | 30,866,908 |
| Benefits & Claims | 19,921,785 | 8,936,000 | 0 | 28,857,785 | 11,170,000 | 0 | 31,091,785 | 59,949,570 |
| Transfers | 141,415,047 | 4,234,677 | 6,115,653 | 151,765,377 | 3,964,886 | 11,282,906 | 156,662,839 | 308,428,216 |
| Total Costs | \$186,899,789 | \$16,435,522 | \$10,765,830 | \$214,101,141 | \$18,763,011 | \$15,609,269 | \$221,272,069 | \$435,373,210 |
| General Fund | 140,778,703 | 4,512,592 | 9,549,068 | 154,840,363 | 4,425,825 | 14,270,184 | 159,474,712 | 314,315,075 |
| State/Other Special | 13,101,000 | 1,170,001 | 139,697 | 14,410,698 | 1,464,000 | 94,038 | 14,659,038 | 29,069,736 |
| Federal Special | 33,020,086 | 10,752,929 | 1,077,065 | 44,850,080 | 12,873,186 | 1,245,047 | 47,138,319 | 91,988,399 |
| NonExpendable Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$186,899,789 | \$16,435,522 | \$10,765,830 | \$214,101,141 | \$18,763,011 | \$15,609,269 | \$221,272,069 | \$435,373,210 |

Agency Description

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Board), with seven members appointed by the Governor. The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff.

All state funds appropriated by the legislature to the Board of Regents for the support of the Montana University System are channeled through the Office of the Commissioner of Higher Education.

The Montana University System is comprised of:

- The Board of Regents (Board)
- The Commissioner of Higher Education (CHE), his/her staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education (OCHE)
- The University of Montana, with:
 - Four-year campuses in Missoula, Butte, and Dillon
 - Two-year campuses in Missoula, Butte, and Helena
 - Two research/public service agencies in Missoula and Butte
- Montana State University, with:
 - Four-year campuses in Bozeman, Billings, and Havre
 - Two-year campuses in Billings and Great Falls
 - Three research/public service agencies in Bozeman and Great Falls
- Two-year community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Board of Regents and the board of trustees of each community college district

To fund the Montana University System, the OCHE budget is organized into the following programs:

- Administration Program includes the Commissioner of Higher Education, his/her staff, and all state-level administrative costs related to the MUS not accounted for in other OCHE programs
- Student Assistance Program includes both state and federal funding of interstate student exchange programs and student aid programs administered at the state level, including Work Study programs and the Governor's Postsecondary Scholarship Program

- Improving Teacher Quality Program includes federal funding that supports continuing education and teaching skills development for mathematics and science teachers
- Community College Assistance directs state funding to support the cost of education at Montana's three community colleges
- MUS Group Health Insurance and Self-funded Workers Compensation Program includes administration of self-insured group insurance plans for MUS employees
- Talent Search Program includes two federal grant programs that provide academic support to targeted at-risk youth at the secondary school level to encourage post secondary education upon high school graduation
- Workforce Development Program provides support for vocational/technical education, primarily federal funding
- Appropriation Distribution is where the transfer of state funds to the university educational units and the research/public service agencies is recorded
- Tribal College Assistance Program directs funding assistance to support education costs of non-beneficiary students (non-tribal members) attending the seven tribal community colleges
- Guaranteed Student Loan Program provides administration of and guarantor services for the federally funded student loan program for students attending post secondary schools in Montana
- Board of Regents Administration Program supports travel, per diem and operational costs for the board

Since the 1995 legislative session, the legislature has combined the appropriation for the university educational units (all campuses of Montana State and the University of Montana) and most of the Office of the Commissioner of Higher Education into a single, lump-sum appropriation. Line item appropriations continue for Community College Assistance, Tribal College Assistance, the research/public service agencies, and for a few programs of special interest to the legislature.

Agency Highlights

| Montana University System Major Budget Highlights | |
|---|--|
| <p>The legislative budget:</p> <ul style="list-style-type: none"> ◆ Includes \$10.8 million general fund for new proposals related to the "Shared Leadership for a Stronger Montana Economy" initiatives ◆ Increases general fund for the Tribal College Assistance program by \$2.8 million in the 2007 biennium ◆ Adds 10.00 FTE for programs in the Office of the Commissioner of Higher Education (OCHE) including: <ul style="list-style-type: none"> • 8.00 FTE in the federally funded Guaranteed Student Loan Program • 1.00 FTE in the administration program to support the shared leadership initiatives (database warehouse administrator) ◆ Includes \$6.7 million of present law adjustment increases to support moderate enrollment and operations cost increases at the university educational units, based upon a change to the cost sharing formula that is increased from 43 percent to approximately 80 percent (based upon the ratio of resident students) ◆ Increases federal authority \$20 million to support anticipated growth in the loan volume of the Guaranteed Student Loan Program ◆ Increases federal authority \$3.3 million as new federal grants are anticipated for talent search academic support programs ◆ Increases general fund for community college assistance \$3.2 million primarily due to projected enrollment increases ◆ Increases general fund for student assistance programs by \$2.0 million: <ul style="list-style-type: none"> • The Governor's Postsecondary Scholarship program is funded at \$1.5 million for the 2007 biennium • The Montana Higher Education Grant (MHEG) program receives a one-time-only increase of \$470,000 over the biennium | |

Summary of Legislative Action

The Shared Leadership for a Stronger Montana Economy is a primary driver of funding increases in the 2007 biennium budget approved by the legislature. Figure 1 on the following page illustrates shared leadership initiatives, with funding for each initiative highlighted in first the Martz budget, then the Schweitzer budget modifications, and finally the legislative funding approved in HB 2:

Figure 1
Shared Leadership for a Stronger Montana Economy
Funding Reconciliation for Shared Leadership Initiatives -- By Decision Package and Program

| | Executive Budget Proposal (Mantz) | | Executive Budget Proposal (Schwartz) | | Approved HB2 Legislative Budget | |
|---|-----------------------------------|--------------------------------|---|---|---|--|
| | Program and Decision Package (DP) | Proposed Funding 2007 Biennium | Program and Decision Package (DP) | Proposed Funding 2007 Biennium | Program and Decision Package (DP) | HB2 Funding 2007 Biennium |
| Shared Leadership Initiatives | | | | | | |
| Promote/Enhance Access to Postsecondary Education | No Funding Proposals | | Program 02: NP 101 - Need-based Student Aid NP 102 - Best and Brightest Scholarships | \$2,000,000 \$3,000,000 | Program 02: NP 101 - Gov's Postsecondary Scholarships | \$1,500,000 |
| | | | | | NP 1010 - Increase MHEG Financial Aid | \$470,000 |
| | | | Program 11: NP 103 - NonBene Student Assistance NP 104 - Tribal College Equip/Indian Ed. | \$303,500 \$2,500,000 | Program 04: NP 1000 - Comm College Special Assist Program 11: NP 103 - NonBene Student Assistance NP 104 - Tribal Coll. Equip/Indian Ed. NP 1002 - Addl NonBene Student Assist | \$900,000 \$303,500 \$2,000,000 \$500,000 |
| Distance Learning Online Education | | | No Funding Proposals | | Program 09: NP 1011 - Distance Learning Initiative | \$300,000 |
| Workforce Training and Education | | | Program 09: DP 51 - Distance Learning Initiative | \$1,000,000 | | |
| | | | Program 09: DP 78 - Equipment for 2-year programs DP 8 - Extension Cropping Specialist DP 16 - Extension Livestock Specialist DP 60 - Develop 2-yr Prog Curriculum DP 61 - MT Tech E.D. Resource Ctr. DP 63 - Increase Healthcare Workers DP 66 - FSTS Add One Trainer DP 67 - AES Weed Mgmt. Biotech FTE DP 68 - Assist. Small Oil & Gas Oper. DP 69 - Coal/Coal-bed Methane Prog. | \$5,000,000 \$65,600 \$131,200 \$1,200,000 \$100,000 \$1,000,000 \$153,035 \$319,933 \$146,880 \$146,880 | Program 09: DP 78 - Equipment for 2-year programs DP 8 - Extension Cropping Specialist DP 16 - Extension Livestock Specialist | \$4,460,678 \$65,600 \$131,200 |
| | | | Program 01: DP 40 - Business/E.D. Outreach DP 77 - Workforce Syst. Data Mgmt. | \$360,000 \$280,000 | DP 69 - Coal/Coal-bed Methane Prog | \$146,880 |
| | | | | \$9,903,528 | | |
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| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total Funding | | | | \$12,803,500 | | \$10,777,858 |

The shared leadership project represents a paradigm shift in university budgeting of state funds, as the Board of Regents has attempted, through this project, to cast state funding as an investment in economic development that benefits all segments of the state economy, rather than merely education related expenditures. As such, the paradigm shift accounts for \$10.8 million of new funding for the university system approved by the legislature with new programs in three areas that cut across both education and economic development. These areas, as illustrated above, include:

- Promote/enhance access to postsecondary education (\$5.7 million)
- Workforce training and education (\$4.8 million)
- Distance learning and online education (\$.3 million)

The largest appropriation comes in the area of access to postsecondary education, as the legislature approved: 1) \$1.5 million for a new scholarship program (HB 435 the Governor's Postsecondary Scholarship Program); 2) a one-time-only increase of \$470,000 for the need-based Montana Higher Education Grant (MHEG) program; 3) \$900,000 of one-time-only special assistance to the community colleges; and, 4) \$803,500 additional funding for tribal college assistance to support non-beneficiary Montana resident students. These efforts were primarily approved as means to offset the impact on students of rising tuition rates.

In a related effort to maintain access to postsecondary education through affordable tuition, the legislature also modified two of the funding formulas that are used to calculate the level of state funding appropriated to the university educational units. In the area of present law adjustments, the legislature approved an 80 percent state percentage share of these adjustments (for such items as fixed costs and resident enrollment increases), which is an increase from the historical formula reflected in the FY 2004 base year of 43 percent. This 37 percent increase in the state percentage share resulted in a general fund increase of more than \$5 million over the 2007 biennium. The 80 percent calculation is based upon the ratio of Montana resident student enrollment at the university educational units, with the remaining 20 percent being non-resident students.

The legislature also approved the marginal cost per student calculation that carried over from the prior biennium in order to maintain a higher level of state funding per student, given that resident student enrollment growth projections were lower than anticipated (due in part to shrinking Montana high school graduating class enrollments). Under the carry-over formula, the legislature approved a general fund increase of \$108,000 above what would have been the historical formula calculation for this appropriation.

Overall, the legislature approved a budget for the university system that totals \$435.4 million for the 2007 biennium. At their May 2005 meeting, the Board of Regents approved tuition rates and fees as part of an overall operating budget plan for the university system, including both state funding together with tuition revenue and other university funding. Tuition rates will increase an average of 8.6 percent each year across all university educational unit campuses during the 2007 biennium. For more information about tuition rates, see the Appropriation Distribution Program 09 section.

Figure 2 on the following page illustrates the total legislative budget by fiscal year for all programs and educational units of the university system, including funding from HB 2 and from HB 447 (pay plan):

Figure 2

| Montana University System - 2007 Biennium Legislative Budget Includes HB 2 and HB 447 (Pay Plan) Funds | | | | | |
|---|----------------------|-------------|--------------------------|----------------------------------|-----------------|
| FISCAL YEAR 2006 | | | | | |
| Budget Item | General Fund HB 2 | HB 447 | State Special Revenue | Federal Revenue (With HB 447) | Total HB2/HB447 |
| Educational Units: | | | | | |
| University Units/COT's | \$108,215,165 | \$2,865,140 | \$13,385,001 | | \$124,465,306 |
| 2-Yr Degree Equipment | 1,960,678 | | | | 1,960,678 |
| Distance Learning | 300,000 | | | | 300,000 |
| Family Practice Residence | 319,366 | | | | 319,366 |
| Dental Hygiene Program | 235,000 | | | | 235,000 |
| Motorcycle Safety Program | | | 220,000 | | 220,000 |
| Sub-Total Ed. Units | \$111,030,209 | \$2,865,140 | \$13,605,001 | \$0 | \$127,500,350 |
| OCHE Administration | 1,553,899 | 90,757 | 25,000 | | 1,669,656 |
| Student Assistance | 9,808,988 | | | 225,773 | 10,034,761 |
| Improving Teacher Quality | | | | 362,946 | 362,946 |
| Talent Search | 99,761 | 2,928 | 50,000 | 3,136,873 | 3,289,562 |
| Perkins/Workforce Dev. | 90,414 | 2,930 | | 6,279,753 | 6,373,097 |
| Guaranteed Student Loan | | | | 34,844,735 | 34,844,735 |
| Board of Regents Admin | 44,485 | | | | 44,485 |
| Line Items: | | | | | |
| Community College Assist | 7,726,419 | 205,997 | | | 7,932,416 |
| Tribal College Assistance | 1,900,000 | | | | 1,900,000 |
| Ag. Experiment Station | 10,311,165 | 364,222 | | | 10,675,387 |
| AES Biobased Institute | 200,000 | | | | 200,000 |
| Extension Service | 4,908,206 | 204,637 | | | 5,112,843 |
| Forest Conserv Exp Stat. | 971,324 | 21,671 | | | 992,995 |
| Bureau of Mines/Geology | 1,693,291 | 45,628 | 730,697 | | 2,469,616 |
| Fire Serv Training School | 582,015 | 16,277 | | | 598,292 |
| Yellow Bay Biological Station | 100,000 | | | | 100,000 |
| HB 2/HB 447 Totals | \$151,020,176 | \$3,820,187 | \$14,410,698 | \$44,850,080 | \$214,101,141 |
| FISCAL YEAR 2007 | | | | | |
| Educational Units: | | | | | |
| University Units/COT's | \$107,626,785 | \$6,755,252 | \$13,679,000 | | \$128,061,037 |
| 2-Yr Degree Equipment | 2,500,000 | | | | 2,500,000 |
| Distance Learning | 0 | | | | 0 |
| Family Practice Residence | 319,366 | | | | 319,366 |
| Dental Hygiene Program | 235,000 | | | | 235,000 |
| Motorcycle Safety Program | | | 220,000 | | 220,000 |
| Sub-Total Ed. Units | \$110,681,151 | \$6,755,252 | \$13,899,000 | \$0 | \$131,335,403 |
| OCHE Administration | 1,532,621 | 154,881 | 25,000 | | 1,712,502 |
| Student Assistance | 10,068,220 | | | 225,773 | 10,293,993 |
| Improving Teacher Quality | | | | 362,946 | 362,946 |
| Talent Search | 100,531 | 7,218 | | 3,179,817 | 3,287,566 |
| Perkins/Workforce Dev. | 93,108 | 7,224 | | 6,164,807 | 6,265,139 |
| Guaranteed Student Loan | | | | 37,204,976 | 37,204,976 |
| Board of Regents Admin | 44,485 | | | | 44,485 |
| Line Items: | | | | | |
| Community College Assist | 8,088,524 | 464,993 | | | 8,553,517 |
| Tribal College Assistance | 1,000,000 | | | | 1,000,000 |
| Ag. Experiment Station | 10,321,121 | 902,278 | | | 11,223,399 |
| AES Biobased Institute | 200,000 | | | | 200,000 |
| Extension Service | 4,996,951 | 507,171 | | | 5,504,122 |
| Forest Conserv Exp Stat. | 968,731 | 54,812 | | | 1,023,543 |
| Bureau of Mines/Geology | 1,692,258 | 112,890 | 735,038 | | 2,540,186 |
| Fire Serv Training School | 580,010 | 40,282 | | | 620,292 |
| Yellow Bay Biological Station | 100,000 | | | | 100,000 |
| HB 2/HB 447 Total | \$150,467,711 | \$9,007,001 | \$14,659,038 | \$47,138,319 | \$221,272,069 |

Agency Discussion

Once again in the 2007 biennium the legislature has combined budgets for most statewide programs administered by the Office of the Commissioner of Higher Education (except community college and tribal college assistance) together with the university units into one lump-sum appropriation. The legislative rationale for the lump-sum appropriation is to give the Board of Regents, the constitutional authority of the university system, the flexibility to use state funds to accomplish the regents' policy and management objectives. In addition to the community colleges and tribal college assistance programs, the budgets for the research/public service agencies have been appropriated in separate line items in HB 2.

At the May 2005 meeting of the Board of Regents, following the legislative session, the board approved tuition rate increases for all campuses of the Montana University System. Annual average tuition increases at the university educational unit campuses will range from 3 percent to 12 percent. The regents' tuition policy is designed to keep tuition rates lower at the two-year campuses and colleges of technology.

The impact of general fund and six-mill levy spending in the legislative budget (HB 2) is illustrated below in Figure 3, which demonstrates the funding levels for each of the major functional areas in the Montana University System and shows the funding change from the doubled 2004 base year in the 2005 biennium.

Figure 3
Montana University System
House Bill 2 Legislative Budget - Biennial Comparison by Unit and Program
General Fund and Six Mill Levy Funding Only

| Budget Item | Actual FY 2004 Base | 2007 Biennium Legis. Budget | Difference |
|---|------------------------|--------------------------------|---------------------|
| <u>University Educational Units</u> | \$118,053,858 | \$247,578,663 | \$11,470,947 |
| UM Missoula | 37,818,253 | 75,636,506 | 0 |
| MSU Bozeman | 40,399,419 | 80,798,838 | 0 |
| UM - Montana Tech | 8,967,311 | 17,934,622 | 0 |
| MSU Billings | 14,306,972 | 28,613,944 | 0 |
| MSU Northern | 6,763,838 | 13,527,676 | 0 |
| UM - Western | 4,136,087 | 8,272,174 | 0 |
| GF - College of Technology | 3,398,184 | 6,796,368 | 0 |
| Helena - College of Technology | 2,263,794 | 4,527,588 | 0 |
| Misc. Educational Unit Transfers | 0 | 6,710,269 | 6,710,269 |
| Distance Learning Initiative | 0 | 300,000 | 300,000 |
| Two-year Degree Prog. Equipment | | 4,460,678 | 4,460,678 |
| <u>Community College Assistance</u> | \$6,292,234 | \$15,814,943 | \$3,230,475 |
| Dawson Community College | 1,136,572 | 3,229,405 | 956,261 |
| Flathead Valley Community College | 3,756,091 | 9,063,828 | 1,551,646 |
| Miles Community College | 1,399,571 | 3,521,710 | 722,568 |
| <u>Tribal College Assistance</u> | \$0 | \$2,900,000 | \$2,900,000 |
| Non-Beneficiary Student Assistance | 0 | 900,000 | 900,000 |
| Tribal College Programs | 0 | 2,000,000 | 2,000,000 |
| <u>Research/Public Service Agencies</u> | \$17,580,946 | \$37,025,042 | \$1,863,150 |
| Agriculture Experiment Station | 10,079,958 | 20,632,256 | 472,340 |
| Extension Service | 4,481,715 | 9,905,157 | 941,727 |
| Bureau of Mines | 1,581,899 | 3,385,549 | 221,751 |
| Forestry/Conservation Exp. Station | 925,839 | 1,940,055 | 88,377 |
| Fire Service Training School | 511,535 | 1,162,025 | 138,955 |
| <u>Misc. Educational Unit Programs</u> | \$798,349 | \$1,796,698 | \$320,000 |
| Family Practice Residency Program | 319,366 | 638,732 | 0 |
| Biobased Institute (AES) | 200,000 | 400,000 | 0 |
| Dental Hygiene Program (GF-COT) | 235,000 | 470,000 | 0 |
| MUS Marketing Initiative | 43,983 | 87,966 | 0 |
| Yellow Bay Biological Station | 0 | 200,000 | 200,000 |
| Motorcycle Safety Training School * | 200,000 | 520,000 | 120,000 |
| <u>Student Grants/Assistance</u> | \$8,451,220 | \$19,833,208 | \$2,930,768 |
| WICHE/WWAMI/MN Dental | 4,646,666 | 10,254,100 | 960,768 |
| Baker Grants | 2,034,869 | 4,069,738 | 0 |
| Montana Higher Ed. Grant Increase | 0 | 470,000 | 470,000 |
| State Work Study Program | 862,989 | 1,725,978 | 0 |
| Governor's Postsecondary Scholarships | 0 | 1,500,000 | 1,500,000 |
| State Match to Federal Grants | 906,696 | 1,813,392 | 0 |
| <u>Administration/Special Programs</u> | \$1,837,096 | \$3,603,304 | (\$70,888) |
| Board of Regents/OCHE | 1,665,407 | 3,175,490 | (155,324) |
| Governor's Scholarship Administration | 0 | 44,000 | 44,000 |
| Talent Search | 81,595 | 200,292 | 37,102 |
| Workforce Development | 90,094 | 183,522 | 3,334 |
| Total General Fund/Six Mill Levy | \$153,013,703 | \$328,551,858 | \$22,524,452 |

* State Special Revenue Funds - Not included in totals (for informational purposes only)

General fund/six mill levy funding for the Montana University System, including all programs together with the university units, increases \$22.5 million over the base year, while university unit enrollment is projected to increase marginally. The funding increase can be attributed primarily to legislative approval for funding the present law and statewide adjustments at a formula rate of approximately 80 percent in the 2007 biennium, as opposed to the historical formula rate of 43 percent, and to shared leadership initiatives that support distance learning as well as equipment/program development at the 2-year degree program campuses. The 80 percent formula adds about \$5 million to the budget above the 43 percent rate, while these shared leadership programs add \$4.76 million.

Community college enrollment is projected to increase at a rate of 15 percent in the 2007 biennium, while general fund spending for community college assistance is increased by \$3.2 million in the legislative budget.

In addition to the \$96,500 expended in FY 2005 (and not appearing the base year column of the table), the legislature increases tribal college assistance by \$2.8 million general fund, with a one-time-only equipment/Indian education for all appropriation of \$2 million, a one-time-only increase to non-beneficiary student assistance of \$0.50 million, and an increase of \$0.30 million to the non-beneficiary student assistance base.

The professional education student exchange program increases almost 4 percent general fund, although two fewer student slots are funded, as tuition rates at the out-of-state colleges and universities continue to increase, driving the student support fee paid with general fund higher each year of the biennium.

Student financial assistance, both need-based and merit scholarships, is increased by \$2.0 million in the legislative budget for the 2007 biennium, primarily due to the Governor's Postsecondary Scholarship program approved by the legislature.

Funding for the research/public service agencies increases almost \$1.9 million in the legislative 2007 biennium budget, due to present law adjustments as well as new programs in the Extension Service and the Bureau of Mines and Geology.

Overall, the legislature increases general fund and six mill levy funding a total of \$22.5 million in the 2007 biennium budget over and above the doubled FY 2004 base year in the 2005 biennium budget for the university system.

Continuing Fiscal Challenges

Accountability Measures as a Budgeting Tool for the University System

The Montana Constitution, Article X, Section 9, grants the governing authority for the Montana University System to the Board of Regents, who are also given sole spending and rate-setting authority over the private revenue funds received by the university system, the largest of which is student tuition. Legislative authority extends to the appropriation of state public funding and some federal funding for the university system, but this appropriation authority is constrained by Montana Supreme Court decisions (see State ex rel. Judge v. Legislative Finance Committee and Board of Regents v. Judge) that deter the legislature from using the state budget to project itself too far into university system governance matters. On the other hand, the legislature appropriates more than \$200 million per year to the university system and this state funding comprises approximately 40 percent of the university educational budget.

Therefore, under the Montana constitutional model, there is a split or shared authority between the Board of Regents and the legislature. This split, unique as compared to all other agencies of state government, creates the conditions for a policy disconnect between what the legislature would like state funding to be used for, what goods and services the legislature wishes to purchase, and what the regents identify as the educational priorities of the university system.

In an attempt to bridge this disconnect, the Postsecondary Education Policy and Budget Subcommittee (PEPB) of the Interim Committee on Education and Local Government, drafted a series of policy goals and accountability measures that would list the objectives of the legislature in its funding for the university system. These accountability measures were accepted by both the legislature and the Board of Regents, as evidenced by signed agreements in July 2002 and again in July 2004.

With these accountability measures in place that laid a foundation as the expressed policy goals of the legislature, the remaining challenge is to use these measures as the baseline and performance objectives upon which to establish budget metrics for state funding that is appropriated to the university system. During the 2005 session the legislature discussed an interest in taking this next step so that the budget for the 2009 biennium would be influenced to a degree by these accountability measures.

For more information about the accountability measures and their potential role in budgeting, see LFD Budget Analysis 2007 Biennium, Volume 4, pages E-78 to E-81.

Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding 2007 Biennium Legislative Budget | | | | | |
|--|-----------------------|----------------------|----------------------|-----------------------|---------------|
| Agency Program | General Fund | State Spec. | Fed Spec. | Grand Total | Total % |
| 01 Administration Program | \$ 3,332,158 | \$ 50,000 | \$ - | \$ 3,382,158 | 0.8% |
| 02 Student Assistance Program | 19,877,208 | - | 451,546 | 20,328,754 | 4.7% |
| 03 Improving Teacher Quality | - | - | 725,892 | 725,892 | 0.2% |
| 04 Community College Assistance | 16,485,933 | - | - | 16,485,933 | 3.8% |
| 06 Talent Search | 210,438 | 50,000 | 6,316,690 | 6,577,128 | 1.5% |
| 08 Work Force Development Pgm | 193,676 | - | 12,444,560 | 12,638,236 | 2.9% |
| 09 Appropriation Distribution | 271,226,692 | 28,969,736 | - | 300,196,428 | 69.0% |
| 11 Tribal College Assistance Pgm | 2,900,000 | - | - | 2,900,000 | 0.7% |
| 12 Guaranteed Student Loan Pgm | - | - | 72,049,711 | 72,049,711 | 16.5% |
| 13 Board Of Regents-Admin | 88,970 | - | - | 88,970 | 0.0% |
| Grand Total | <u>\$ 314,315,075</u> | <u>\$ 29,069,736</u> | <u>\$ 91,988,399</u> | <u>\$ 435,373,210</u> | <u>100.0%</u> |

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding. These figures include the 2007 biennium pay plan (HB 447) as part of the legislative budget calculations, but the pay plan is not part of the executive budget.

| Executive Budget Comparison | | | | | | | | |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item | Base Budget Fiscal 2004 | Executive Budget Fiscal 2006 | Legislative Budget Fiscal 2006 | Leg - Exec. Difference Fiscal 2006 | Executive Budget Fiscal 2007 | Legislative Budget Fiscal 2007 | Leg - Exec. Difference Fiscal 2007 | Biennium Difference Fiscal 06-07 |
| FTE | 90.05 | 100.55 | 100.05 | (0.50) | 100.55 | 100.05 | (0.50) | |
| Personal Services | 4,330,416 | 4,548,519 | 4,772,347 | 223,828 | 4,548,188 | 5,013,503 | 465,315 | 689,143 |
| Operating Expenses | 4,088,819 | 4,817,257 | 4,847,257 | 30,000 | 4,809,476 | 4,789,476 | (20,000) | 10,000 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Local Assistance | 6,395,234 | 7,384,419 | 8,040,416 | 655,997 | 7,750,524 | 8,665,517 | 914,993 | 1,570,990 |
| Grants | 10,748,488 | 16,791,709 | 15,817,959 | (973,750) | 16,992,699 | 15,048,949 | (1,943,750) | (2,917,500) |
| Benefits & Claims | 19,921,785 | 28,857,785 | 28,857,785 | 0 | 31,091,785 | 31,091,785 | 0 | 0 |
| Transfers | 141,415,047 | 148,189,724 | 151,765,377 | 3,575,653 | 147,919,933 | 156,662,839 | 8,742,906 | 12,318,559 |
| Total Costs | \$186,899,789 | \$210,589,413 | \$214,101,141 | \$3,511,728 | \$213,112,605 | \$221,272,069 | \$8,159,464 | \$11,671,192 |
| General Fund | 140,778,703 | 151,608,857 | 154,840,363 | 3,231,506 | 151,737,891 | 159,474,712 | 7,736,821 | 10,968,327 |
| State/Other Special | 13,101,000 | 14,324,391 | 14,410,698 | 86,307 | 14,599,111 | 14,659,038 | 59,927 | 146,234 |
| Federal Special | 33,020,086 | 44,656,165 | 44,850,080 | 193,915 | 46,775,603 | 47,138,319 | 362,716 | 556,631 |
| NonExpendable Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$186,899,789 | \$210,589,413 | \$214,101,141 | \$3,511,728 | \$213,112,605 | \$221,272,069 | \$8,159,464 | \$11,671,192 |

Excluding pay plan funding (HB 447), the legislature approved a 2007 biennium budget for the Montana University System that decreases general fund by \$1.5 million compared to the executive budget. Figure 4 below tracks the total funding differences for all revenue sources between the executive budget and the budget approved by the legislature, itemizing each decision package that represents a change from the proposed executive budget.

Figure 4

| Montana University System 2007 Biennium Budget House Bill 2 Reconciliation (Total Funding -- Includes All Revenue Sources) | | | | | |
|---|---------------|---------------|------------------|---------------------------------|--------------------------------------|
| As of May 15, 2005 | Fiscal 2006 | Fiscal 2007 | 2007 Biennium | Difference From Subcommittee | Difference From Schweitzer Budget |
| Calculation of Executive Budget: | | | | | |
| Fiscal Year 2004 Base | \$186,899,789 | \$186,899,789 | \$373,799,578 | | |
| Statewide Present Law Adjustments | 6,024,261 | 5,012,729 | 11,036,990 | | |
| Other Present Law Adjustment | 10,453,713 | 13,792,756 | 24,246,469 | | |
| Martz Present Law Budget | 203,377,763 | 205,705,274 | 409,083,037 | | |
| Martz New Proposals | 5,841,216 | 5,877,793 | 11,719,009 | | |
| Martz Total Budget | \$209,218,979 | \$211,583,067 | \$420,802,046 | (\$3,808,718) | (\$2,899,972) |
| Schweitzer Budget Changes: | | | | | |
| Eliminate Shared Leadership Initiatives - Prog 01 | (320,000) | (320,000) | (640,000) | | |
| Need Based Student Aid - Prog 02 | 1,000,000 | 1,000,000 | 2,000,000 | | |
| Best and Brightest Student Aid - Prog 02 | 1,500,000 | 1,500,000 | 3,000,000 | | |
| Eliminate Shared Leadership Initiatives - Prog 09 | (2,113,066) | (2,150,462) | (4,263,528) | | |
| Enhancing Tribal Colleges - Prog 11 | 1,000,000 | 1,500,000 | 2,500,000 | | |
| Increase Non-Beneficiary Student Aid - Prog 11 | 303,500 | 0 | 303,500 | | |
| Total Changes | \$1,370,434 | \$1,529,538 | \$2,899,972 | | |
| Schweitzer Total Budget | \$210,589,413 | \$213,112,605 | \$423,702,018 | (\$908,746) | \$0 |
| Subcommittee action: | | | | | |
| Reduce OCHE Rent Increase - Prog 01 | (\$25,000) | (\$25,000) | (\$50,000) | | |
| Eliminate Statewide FTE Reduction - Prog 01 | 22,548 | 22,526 | 45,074 | | |
| Reduce Surplus from Need Based Aid - Prog 02 | (500,000) | | (500,000) | | |
| Reduce Surplus from Best & Brightest - Prog 02 | (990,000) | (480,000) | (1,470,000) | | |
| MHEG Student Financial Aid (OTO) - Prog 02 | 470,000 | | 470,000 | | |
| Community College Assistance (OTO) - Prog 04 | 450,000 | 450,000 | 900,000 | | |
| MT Conference on Race - Prog 06 | 50,000 | | 50,000 | | |
| Federal Workforce Development Grant - Prog 08 | 112,500 | 112,500 | 225,000 | | |
| Distance Learning Initiative (OTO) - Prog 09 | 300,000 | | 300,000 | | |
| Weed Management/Biotech Program - AES | 79,983 | 79,983 | 159,966 | | |
| New Agent for Meagher County - Extension | 35,103 | 35,103 | 70,206 | | |
| Livestock and Cropping Specialists - Extension | 65,600 | 131,200 | 196,800 | | |
| Add Fire Services Trainer - FSTS | 93,500 | 59,535 | 153,035 | | |
| Urban/Wildland Forest Management - FCES | 100,000 | 100,000 | 200,000 | | |
| Coal/Coalbed Methane Program - Bureau | 72,000 | 74,880 | 146,880 | | |
| Groundwater Assessment Program - Bureau | 49,449 | 49,449 | 98,898 | | |
| Reduce Tribal College Equipment - Prog 11 | | (500,000) | | | |
| Increase NonBeneficiary Student Assist - Prog 11 | 500,000 | | | | |
| Reduce Student Loan FTE Request - Prog 12 | (43,609) | (43,504) | (87,113) | | |
| Total Changes | \$842,074 | \$66,672 | \$908,746 | | |
| Subcommittee Total Budget | \$211,431,487 | \$213,179,277 | \$424,610,764 | \$0 | \$908,746 |
| House Appropriations Committee Action: | | | | | |
| Groundwater Assessment Program - Bureau | \$15,248 | \$19,589 | \$34,837 | | |
| Total Changes | 15,248 | 19,589 | 34,837 | | |
| House Appropriations Committee Total Budget | \$211,446,735 | \$213,198,866 | \$424,645,601 | \$34,837 | \$943,583 |
| House Floor Action: | | | | | |
| General Fund Reduction OCHE Admin - Prog 01 | -\$50,000 | -\$50,000 | -\$100,000 | | |
| Reduce Motorcycle Safety Training - Prog 09 | (40,000) | (40,000) | (80,000) | | |
| Total Changes | (90,000) | (90,000) | (180,000) | | |
| House Committee As a Whole Total Budget | \$211,356,735 | \$213,108,866 | \$424,465,601 | (\$180,000) | \$763,583 |
| Senate Finance Committee Action: | | | | | |
| Reduce Gov's Postsecondary Scholars - Prog 02 | (\$510,000) | (\$1,020,000) | (\$1,530,000) | | |
| Reduce 2-Year Degree Program Equipment - Prog 09 | (539,322) | | (539,322) | | |
| Eliminate Shared Leadership Positions - Prog 09 | (411,083) | (445,598) | (856,681) | | |
| Eliminate Meagher County Extension Agent - Prog 09 | (35,103) | (35,103) | (70,206) | | |
| Total Changes | (1,495,508) | (1,500,701) | (2,996,209) | | |
| Senate Finance Committee Total Budget | \$209,861,227 | \$211,608,165 | \$421,469,392 | (\$3,141,372) | (\$2,232,626) |
| Senate Floor Action: | | | | | |
| Governor's Scholarship Administration - Prog 02 | \$22,000 | \$22,000 | \$44,000 | | |
| Yellow Bay Biological Station - Prog 09 | 100,000 | 100,000 | 200,000 | | |
| Total Changes | 122,000 | 122,000 | 244,000 | | |
| Senate Committee As a Whole Total Budget | \$209,983,227 | \$211,730,165 | \$421,713,392 | (\$2,897,372) | (\$1,988,626) |
| Free Conference Committee Action: | | | | | |
| Restore Livestock and Cropping Specs - Extension | \$65,600 | \$131,200 | \$196,800 | | |
| Restore Coal/Coalbed Methane Prog - Bureau | 72,000 | 74,880 | 146,880 | | |
| Restore New Agent for Meagher Cnty - Extension | 35,103 | 35,103 | 70,206 | | |
| Total Changes | 172,703 | 241,183 | 413,886 | | |
| Free Conference Committee Total Budget | \$210,155,930 | \$211,971,348 | \$422,127,278 | (\$2,483,486) | (\$1,574,740) |

The most significant differences between the executive and legislative budgets include:

- o The legislature reduced \$2.0 million of general fund requested in the executive budget for the need-based aid and the best and brightest scholarship proposals (these two-year and four-year grant programs, what became the Governor's Postsecondary Scholarship Program, had been fully funded but will take two to four years to reach

full spending capacity; therefore, the executive budget had a one-time-only funding surplus). The legislature reallocated this requested funding as follows:

- \$900,000 for community college special assistance
- \$300,000 for the distance learning initiative
- \$470,000 for need-based student financial aid (MHEG program)
- The legislature also reduced the remaining appropriation for the Governor's Postsecondary Scholarship Program by 50 percent, so that total funding is \$1.5 million in the biennium, which includes \$44,000 for program administration
- As part of the Shared Leadership for a Stronger Montana Economy project, the legislature added new FTE and programs in the Extension Service and the Bureau of Mines and Geology, for a total of \$343,680 general fund over the biennium; and the legislature reduced the 2-year Degree Program Equipment/Program Development appropriation by \$539,322 over the biennium
- The legislature added \$200,000 general fund for the Yellow Bay Biological Station, restricted to flathead basin water quality monitoring
- The legislature approved a general reduction of \$100,000 general fund in the administration program of the Office of the Commissioner of Higher Education
- The legislature approved a new extension agent for Meagher County, a total appropriation of \$70,206 in the biennium

Other Legislation

HB 447 – The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007 for state employees, which includes the Montana University System (MUS). The legislature funded 43 percent of the pay plan for the university educational units with state general fund, which represents the state percentage share of funding for the educational operating budget in the base year FY 2004. Under this formula calculation, HB 447 increased general fund to the university educational units by \$9,620,392 in the 2007 biennium. The legislature elected not to use the 80 percent funding formula for HB 447 as it used in HB 2 for funding present law adjustments. The expenditure increases required by HB 447, offset by 43 percent state funding, will be funded by student tuition for approximately 57 percent of these additional costs. In addition to the university educational units, HB 447 increased general fund support in the 2007 biennium as follows:

- Research/public service agencies receive \$2,269,868 (for detailed agency breakdown, see Program 09 section)
- Community Colleges receive \$670,990
- Commissioner of Higher Education administration receives \$245,638
- Talent Search Program receives \$10,146
- Workforce Development Program receives \$10,154

HB 5 – The legislature approved a long-range building program that includes \$17.0 million general fund to support capital projects at the university educational units and at certain research/public service agencies. Also approved in HB 5 was the use of other university funds, in the amount of \$107 million, to support these long-range building projects. While the construction and renovation of these new projects has no affect on HB 2 expenditures for the university system, bringing new space online at the campuses will have an impact on operations and maintenance costs in the future. Operations and maintenance costs supported with state funding are calculated based on the present law adjustment formula adopted by the legislature, and these costs are only supported with state funding for academic facilities. Figure 5 on the following page illustrates the HB 5 appropriations for the university system:

Figure 5
House Bill 5 - Long Range Building Program (LRBP)
Montana University System Projects - 2007 Biennium

| Building Projects | LRBP Cash Funding | State Revenue Funds | Federal Revenue Funds | University Other Funds | Total Project Funding |
|---|----------------------|---------------------------|-----------------------------|---------------------------|--------------------------|
| Montana University System - Statewide | | | | | |
| ADA/Code/Deferred Maintenance Projects | \$1,393,000 | \$0 | \$0 | \$0 | \$1,393,000 |
| Classroom/Laboratory Upgrades | 995,000 | 0 | 0 | 0 | 995,000 |
| Sub Total Statewide Projects | 2,388,000 | | | | 2,388,000 |
| Montana State University (MSU) | | | | | |
| Upgrade HVAC Systems - Pershing & Brockman Halls, Northern | 521,380 | | | | 521,380 |
| Heating System Improvs - Academic Center & McMullen Halls, Billings | 243,775 | | | | 243,775 |
| Facility Repairs & Improvements, Billings | 542,275 | | | | 542,275 |
| Heating Plant Phase 3, Bozeman | 945,250 | | | | 945,250 |
| Water/Sewer System Repairs and Maintenance, Bozeman | 248,750 | | | 250,000 | 498,750 |
| Upgrade Primary Electrical Distribution, Bozeman | 746,250 | | | 750,000 | 1,496,250 |
| Facility Repairs and Improvements, AES | 477,600 | | | | 477,600 |
| Maintenance projects, MAES | 646,750 | | | | 646,750 |
| Campus Improvements, Northern | 636,800 | | | 300,000 | 936,800 |
| General Spending Authority, All Campuses | | | | 7,000,000 | 7,000,000 |
| VisComm Black Box Theater, Bozeman | | | | 2,750,000 | 2,750,000 |
| Animal Bioscience Building | | | | 7,500,000 | 7,500,000 |
| Museum of the Rockies | | | | 12,000,000 | 12,000,000 |
| Native American Student Center | 0 | 0 | 0 | 8,000,000 | 8,000,000 |
| Sub Total MSU Projects | 5,008,830 | 0 | 0 | 38,550,000 | 43,558,830 |
| University of Montana (UM) | | | | | |
| Upgrade Steam Distribution System, Missoula | 5,905,325 | | | 3,060,000 | 8,965,325 |
| Mining & Geology Building Mechanical System Renovation, Butte | 915,400 | | | | 915,400 |
| Upgrade Health Sciences HVAC System - Phase 2, Missoula | 965,150 | | | | 965,150 |
| Renovate Domestic Water Distribution System, Dillon | 182,185 | | | | 182,185 |
| Renovate HVAC Systems - Science Complex 3rd & 4th Floors, Missoula | 606,950 | | | | 606,950 |
| Law Building ADA Improvements/Renovation/Expansion, Missoula | 500,000 | | | | 500,000 |
| School of Journalism Building, Missoula | 500,000 | | | | 500,000 |
| General Spending Authority, All Campuses | | | | 4,000,000 | 4,000,000 |
| Native American Study Center | | | | 2,500,000 | 2,500,000 |
| Research Lab Facility | | | | 3,000,000 | 3,000,000 |
| MBMG/Petroleum Building, UM Tech | | | | 5,400,000 | 5,400,000 |
| New Construction - Consolidate Campus, MCOT | | | | 24,500,000 | 24,500,000 |
| New Gallery Space, Missoula | | | | 6,000,000 | 6,000,000 |
| New Forestry Complex, Missoula | 0 | 0 | 0 | 20,000,000 | 20,000,000 |
| Sub Total UM Projects | \$9,575,010 | \$0 | \$0 | \$68,460,000 | \$78,035,010 |
| Total | \$16,971,840 | \$0 | \$0 | \$107,010,000 | \$123,981,840 |

HB 540 – The legislature approved state debt for the issuance of general obligation bonds in the amount of \$40.5 million to support various projects at the university educational units. Once again, as in the HB 5 expenditures, there is no immediate impact on HB 2 from these bonded projects, but the resulting academic facilities will increase state funded costs in supporting operations and maintenance. Figure 6 on the following page illustrates the projects approved for bonding and the bond schedule:

| Figure 6 House Bill 540 - General Obligation Bonds for Capital Projects Montana University System Projects - 2007 Biennium | | | | |
|--|---------------------|---------------------|--------------------|-----------------------|
| Capital Project | Date of Bond Issue | | | Total Project Bonding |
| | May-06 | May-07 | May-08 | |
| <u>Montana State University</u> | | | | |
| Great Falls College of Technology | \$850,000 | \$8,150,000 | \$2,000,000 | \$11,000,000 |
| Billings College of Technology | 3,680,000 | 4,920,000 | 400,000 | 9,000,000 |
| Gaines Hall Renovation | 3,500,000 | | | 3,500,000 |
| Agriculture Experiment Station (Statewide) | <u>500,000</u> | | | <u>500,000</u> |
| MSU Sub-Total | <u>8,530,000</u> | <u>13,070,000</u> | <u>2,400,000</u> | <u>24,000,000</u> |
| <u>University of Montana</u> | | | | |
| Helena College of Technology | 7,000,000 | 500,000 | | 7,500,000 |
| Montana Tech Petroleum Building, Butte | <u>900,000</u> | <u>2,100,000</u> | <u>6,000,000</u> | <u>9,000,000</u> |
| UM Sub-Total | <u>7,900,000</u> | <u>2,600,000</u> | <u>6,000,000</u> | <u>16,500,000</u> |
| University System Total Bonded Indebtedness | <u>\$16,430,000</u> | <u>\$15,670,000</u> | <u>\$8,400,000</u> | <u>\$40,500,000</u> |

HJR 2 – The legislature approved revenue estimates that included projections for the university six mill levy revenue in the 2007 biennium. These approved projections increase the anticipated mill levy revenue by approximately \$272,000 over the biennium. The legislature did not, however, use these increased revenue projections for the six-mill levy revenue to reduce general fund support by a like amount for the university educational units. Given the number of tax reform measures that were passed and approved during the 2005 legislative session that may well reduce the six mill levy revenue, however, this state special revenue account is not likely to have a significant fund balance at the end of the 2007 biennium.

Language

The legislature approved the following language for inclusion in HB2:

The legislature re-established the biennial lump-sum appropriation:

“Items designated as OCHE Administration (01), Student Assistance (02), Improving Teacher Quality (formerly Dwight D. Eisenhower) (03), Talent Search (06), C.D. Perkins (Workforce development) (08), Appropriation Distribution (Educational units) (09) [excluding items Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, Bureau Groundwater Program (OTO), Fire Services Training School, Institute for Biobased Products and Food Science @ AES, and New Extension Agent for Meagher County], Guaranteed Student Loan (12), and the Board of Regents (13) are a single biennial lump-sum appropriation.”

The legislature approved the following language to address the appropriation of all other public funds in the university system that are not included in House Bill 2:

“General fund money and state and federal special revenue funds appropriated to the board of regents are included in all commissioner of higher education programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill No. 5, relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy.”

The legislature approved the following language to require that the university system use standard accounting principles at all units:

"In addition to the requirements in 17-1-102(4), all university system units, except the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the standards of accounting and reporting, as described by the national association of college and university business officers, as a minimum for achieving consistency."

The legislature approved the following language to require that the university system provide access to the university information system (Banner) for both the Office of Budget and Program Planning and the Legislative Fiscal Division:

"The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g. The Montana university system shall provide the electronic data required for human resource data for the current unrestricted operating funds into the Montana Budgeting and Reporting System (MBARS). The salary and benefit data provided must reflect approved board of regents operating budgets."

The legislature approved the following language to require the Commissioner of Higher Education to submit a report to the subsequent legislature that addresses university system activities to ensure access to low income Montanans, including those in the TANF program. The Governor has indicated his intent to line-item veto the language illustrated below, however his authority to do so is questioned and may be challenged through legal action:

"The legislature encourages the Montana university system/commissioner of higher education to explore and establish partnerships with the department of public health and human services, including the temporary assistance for needy families (TANF) program, to ensure access to quality postsecondary education and training opportunities for families in Montana who would benefit from such training to help them move toward economic self-sufficiency. The Montana university system/commissioner of higher education shall submit a report to the next legislature, by January 1, 2007, addressing what these strategies were and the results of these partnership efforts."

The legislature approved the following language to require that the Commissioner of Higher Education submit a plan that details how Indian Education for All Montanans is to be implemented in the university units. The Governor has indicated his intent to line-item veto the language illustrated below, however his authority to do so is questioned and may be challenged through legal action:

"The Montana university system shall prepare a plan for implementation of Indian education for all Montanans within the educational units of the university system and present this plan to the appropriate interim committee by July 31, 2006."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 15.40 | 1.00 | 0.50 | 16.90 | 1.00 | 0.50 | 16.90 | 16.90 |
| Personal Services | 1,241,468 | (56,412) | 109,343 | 1,294,399 | (56,354) | 173,432 | 1,358,546 | 2,652,945 |
| Operating Expenses | 389,454 | 29,389 | (43,586) | 375,257 | 8,053 | (43,551) | 353,956 | 729,213 |
| Total Costs | \$1,630,922 | (\$27,023) | \$65,757 | \$1,669,656 | (\$48,301) | \$129,881 | \$1,712,502 | \$3,382,158 |
| General Fund | 1,630,922 | (27,023) | 40,757 | 1,644,656 | (48,301) | 104,881 | 1,687,502 | 3,332,158 |
| State/Other Special | 0 | 0 | 25,000 | 25,000 | 0 | 25,000 | 25,000 | 50,000 |
| Total Funds | \$1,630,922 | (\$27,023) | \$65,757 | \$1,669,656 | (\$48,301) | \$129,881 | \$1,712,502 | \$3,382,158 |

Program Description

The Office of the Commissioner of Higher Education (OCHE) Administration Program includes: 1) general administration of the university system; 2) academic, financial, and legal administration; 3) labor relations and personnel administration; and, 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoint the commissioner and prescribes his/her powers and duties.

Program Highlights

| OCHE Administration Program Major Budget Highlights | |
|--|---|
| ♦ | Overall, the legislative budget reduces the Administration Program budget by \$125,000 in the 2007 biennium (before pay plan adjustments), including an unallocated general fund reduction of \$100,000 |
| ♦ | The legislative budget adds 1.00 FTE for a Data Warehouse Administrator who will, among other duties, support Shared Leadership projects |
| ♦ | The legislative budget adds 0.50 FTE for administration of the Family Education Savings program, funded with state special revenue that is generated by the program |

Program Narrative

The legislature approved a broad range of new proposals relating to the Shared Leadership for a Stronger Montana Economy project (see Figure 1 in the agency level section). Many of these programs will be administered by staff in the Office of the Commissioner of Higher Education (OCHE), as part of the budget for this program. Although the legislature did not approve funding for the additional administrative staff OCHE had requested to support the Shared Leadership initiatives, the Commissioner of Higher Education elected to use other university system funding to create and hire two new FTE for the following positions:

- Associate Commissioner of Economic Development and Outreach
- Executive Level Administrative Assistant

It is expected, from the published job descriptions, that these FTE will provide direction and coordination for the Shared Leadership initiatives across the system, including the necessary communication and connections with business, professional, governmental, civic, and community groups.

Despite funding the Shared Leadership initiatives with \$10.8 million general fund, the legislature chose not to require additional accountability reports or activities from the commissioner, though the legislature anticipated that the interim subcommittee on Postsecondary Education Policy and Budget would remain engaged in the Shared Leadership process, much as it was during the 2003-2004 interim.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | |
|------------------------|-----------------------------------|-----------------|----------------------|-------------------|------------------------|-------------------|
| Administration Program | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 |
| 01000 | Total General Fund | \$ 1,630,922 | 100.0% | \$ 1,644,656 | 98.5% | \$ 1,687,502 |
| | 01100 General Fund | 1,630,922 | 100.0% | 1,644,656 | 98.5% | 1,687,502 |
| 02000 | Total State Special Funds | - | - | 25,000 | 1.5% | 25,000 |
| | 02846 Family Ed Savings Admin Fee | - | - | 25,000 | 1.5% | 25,000 |
| Grand Total | | \$ 1,630,922 | 100.0% | \$ 1,669,656 | 100.0% | \$ 1,712,502 |

In the past, the administration program has been funded exclusively with general fund, but starting in the 2007 biennium the legislature approved 0.50 FTE for the Family Education Savings program, which will be funded by state special revenue fees related to that program (see DP 1 under the "New Proposals" below).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|--------------------|-------------|--------------|---------------|-----------------|--------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | (60,700) | | | | | (60,513) |
| Vacancy Savings | | | | (47,233) | | | | | (47,237) |
| Inflation/Deflation | | | | (2,505) | | | | | (2,347) |
| Fixed Costs | | | | (18,106) | | | | | (39,600) |
| Total Statewide Present Law Adjustments | | | | (\$128,544) | | | | | (\$149,697) |
| DP 2 - Potential Rent Increase for OCHE (Restricted) | | | | | | | | | |
| 0.00 | 50,000 | 0 | 0 | 50,000 | 0.00 | 50,000 | 0 | 0 | 50,000 |
| DP 3 - Data Warehouse Position - CHE | | | | | | | | | |
| 1.00 | 51,521 | 0 | 0 | 51,521 | 1.00 | 51,396 | 0 | 0 | 51,396 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 1.00 | \$101,521 | \$0 | \$0 | \$101,521 | 1.00 | \$101,396 | \$0 | \$0 | \$101,396 |
| Grand Total All Present Law Adjustments | | | | (\$27,023) | | | | | (\$48,301) |

DP 2 - Potential Rent Increase for OCHE (Restricted) - The legislature approved funding for an anticipated rent increase for the Office of the Commissioner of Higher Education (OCHE). The commissioner has received notice from the building owners (Montana Higher Education Student Assistance Corporation) that they will need the space OCHE occupies. Therefore, it is likely that during the 2007 biennium OCHE will be required to move into a higher rental cost facility. This appropriation is restricted to use only for increased rental costs and/or relocation and moving costs.

DP 3 - Data Warehouse Position - CHE - The legislature approved 1.00 FTE to the commissioner's office, funding a Data Warehouse Administrator position with general fund. This position is also intended to assist the Shared Leadership initiative on workforce system data collection and management.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------|-----------------|-----------------|-----------------|-------------|------------------|-----------------|-----------------|------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - Family Education Savings Staff | | | | | | | | | | |
| 01 | 0.50 | 0 | 25,000 | 0 | 25,000 | 0.50 | 0 | 25,000 | 0 | 25,000 |
| DP 99 - General Fund Reduction of OCHE Administration | | | | | | | | | | |
| 01 | 0.00 | (50,000) | 0 | 0 | (50,000) | 0.00 | (50,000) | 0 | 0 | (50,000) |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 01 | 0.00 | 90,757 | 0 | 0 | 90,757 | 0.00 | 154,881 | 0 | 0 | 154,881 |
| Total | 0.50 | \$40,757 | \$25,000 | \$0 | \$65,757 | 0.50 | \$104,881 | \$25,000 | \$0 | \$129,881 |

DP 1 - Family Education Savings Staff - The legislature approved 0.50 FTE, funded by state special revenue, for administrative staff to support the Family Education Savings program, which the legislature authorized and the Regents have been operating for 5 years without dedicated staff. The program has over 10,000 accounts with more than \$100 million on deposit.

DP 99 - General Fund Reduction of OCHE Administration - The legislature approved a general fund reduction of \$50,000 per year, for a total reduction of \$100,000 in the 2007 biennium, in the administration program of the Office of the Commissioner of Higher Education.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund this pay plan.

Other Legislation

SB 432 - The legislature approved legislation to modify the trust accounts process and structure, in order to comply with federal securities requirements, for the Family Education Savings program. Under this program, families are able to open deferred tax savings accounts that may be used to pay tuition and other costs associated with postsecondary education.

Language

The legislature approved the following language for inclusion in HB2:

The legislature included language to restrict the appropriation in DP 2 (Potential Rent Increase for OCHE) for use only in the event that OCHE is actually required to relocate to a higher rental cost facility:

"Potential Rent Increase funding is restricted for expenditure only in the event of a relocation and only if a rent increase actually occurs and may be used only for increased rent and/or relocation and moving costs."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Personal Services | 0 | 0 | 22,000 | 22,000 | 0 | 22,000 | 22,000 | 44,000 |
| Local Assistance | 103,000 | 5,000 | 0 | 108,000 | 9,000 | 0 | 112,000 | 220,000 |
| Grants | 8,537,206 | 397,555 | 970,000 | 9,904,761 | 622,787 | 1,000,000 | 10,159,993 | 20,064,754 |
| Total Costs | \$8,640,206 | \$402,555 | \$992,000 | \$10,034,761 | \$631,787 | \$1,022,000 | \$10,293,993 | \$20,328,754 |
| General Fund | 8,451,220 | 365,768 | 992,000 | 9,808,988 | 595,000 | 1,022,000 | 10,068,220 | 19,877,208 |
| Federal Special | 188,986 | 36,787 | 0 | 225,773 | 36,787 | 0 | 225,773 | 451,546 |
| Total Funds | \$8,640,206 | \$402,555 | \$992,000 | \$10,034,761 | \$631,787 | \$1,022,000 | \$10,293,993 | \$20,328,754 |

Program Description

There are two distinct components to the Student Assistance program (governed by Title 20, Chapters 25 and 26, MCA):

1. The grant, loan, and work-study programs consist of financial need-based criteria for student awards as well as the merit-based component of the Governor's Postsecondary Scholarship Program, as follows:
 - The federal Leveraging Educational Assistance Partnership (LEAP) grant is matched by the state Baker grant program
 - The federal Supplemental Leveraging Educational Assistance Partnership (SLEAP) grant is matched by the Montana Higher Education Grant (MHEG) program
 - The federal Supplemental Educational Opportunity Grant (SEOG) grant program sends funds directly to MUS campuses and is matched by state general fund
 - The Perkins Federal Loan program sends funds directly to MUS campuses and is matched by state general fund
 - The Work Study Program is funded 70 percent from general fund with a 30 percent employer match
 - The Governor's Postsecondary Scholarship Program has both a need-based and merit component, both of which are supported entirely by general fund
2. The interstate student exchange and assistance programs have no financial need-based criteria for participants, and are entirely general fund programs that include:
 - The Western Undergraduate Exchange/Western Regional Graduate Program allows students from 14 participating states to enroll in designated postsecondary schools and pay reduced tuition rates that are less than the non-resident rate. These programs are part of the MUS membership agreement with the Western Interstate Commission for Higher Education (WICHE)
 - The WICHE Professional Student Exchange Program enables Montana students to enroll in 8 professional graduate studies programs in 13 participating states at reduced tuition rates as Montana pays negotiated support fees to subsidize students, who pay reduced tuition
 - The Washington, Wyoming, Alaska, Montana, and Idaho Cooperative Program (WWAMI) enables Montana students to attend the University of Washington School of Medicine at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students
 - The Minnesota Dental Program enables Montana students to attend the University of Minnesota Dental School at a reduced tuition rate as Montana pays a negotiated support fee to subsidize students

Program Highlights

| Student Assistance Program Major Budget Highlights | |
|---|---|
| ♦ | The legislative budget increases general fund spending by \$3.0 million in the 2007 biennium to support the following programs: |
| | • \$1.5 million to support the Governor's Postsecondary Scholarship Program, including \$44,000 for administrative costs |
| | • \$1.0 million in present law adjustments to support the WICHE/WWAMI/MN Dental professional student exchange program, increases are attributed to tuition increases at participating out-of-state universities |
| | • \$0.5 million in one-time-only funding to increase the need-based Montana Higher Education Grant (MHEG) program |

Program Narrative

WICHE/WWAMI/MN Dental Professional Student Exchange Program

Although the legislature increased the funding level for the WICHE/WWAMI/MN Dental professional student exchange program by \$1.0 million in the 2007 biennium, there will be funding for two fewer student slots than in the prior biennium (from 337 to 335 student slots). The cost increase is driven by continued increases in tuition rates at the out-of-state medical and dental schools that participate in the program.

The state support fees that the legislature authorizes as part of the HB 2 appropriation, which are based upon the tuition rates at participating schools, are negotiated by an interstate council upon which Montana is represented by the Commissioner of Higher Education and members of the legislature. Once these support fees are negotiated and agreed upon, the only measure of cost control available in this program is the decision about the number of student slots to support with general fund.

Given the level of uncertainty of budgeting for this program, since students occasionally drop out of the program before completing the degree program, in past biennia this program has been over appropriated and these "surplus" funds have been used at the discretion of the Office of the Commissioner of Higher Education. In the 2007 biennium, the legislature restricted the WICHE/WWAMI/MN Dental program appropriation so that any surplus funds can only be used to support other student assistance benefits and may not be used for administrative functions.

Montana Higher Education Grant (MHEG) Program

In an effort to increase state funding for need-based student financial assistance, the legislature approved a one-time-only special appropriation of \$470,000 general fund to support the Montana Higher Education Grant (MHEG) program. This state funding is used to match federal funding for student assistance. Figure 7 illustrates the state funding level for need-based student assistance for the past two academic years, breaking this out by the number of grants awarded and the average award size by family income level.

| Figure 7 | | | | | | |
|---|-----------------------|--------------------|--------------------------|----------------|--------------------------|--------------|
| Student Assistance Program | | | | | | |
| LEAP/SLEAP/MHEG/Baker Grant Programs - FY 2003 and 2004 | | | | | | |
| Average State Funded Student Grant Awards - By Income Level | | | | | | |
| Income Level | General Fund Expended | | Number of Grants Awarded | | Average Grant Award Size | |
| | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 |
| \$0 to \$19,999 | \$956,198 | \$850,520 | \$2,199 | \$1,760 | \$435 | \$483 |
| \$20,000 to \$39,999 | 775,764 | 644,087 | 1,470 | 1,110 | 528 | 580 |
| \$40,000 and above | <u>903,468</u> | <u>689,512</u> | <u>1,512</u> | <u>992</u> | <u>598</u> | <u>695</u> |
| Totals | <u>\$2,635,430</u> | <u>\$2,184,119</u> | <u>\$5,181</u> | <u>\$3,862</u> | <u>\$509</u> | <u>\$566</u> |
| Source: OCHE Annual Reports to US Department of Education (2003 and 2004) | | | | | | |

Continuing and Ongoing Fiscal Challenges

One of the objectives of the professional student exchange program in Montana (WICHE/WWAMI/MN Dental) is to increase the number of professional practitioners working in critical health care professions to serve the medically underserved communities across the state. Only 53 percent of Montana students who receive state support under the WICHE program, however, return to Montana. The average return rate among the 13 participating states is 63 percent; Montana ranks eleventh among those thirteen.

During the 2005 session, the legislature considered expanding or replicating the Rural Physician Incentive Program, which has attracted 53 physicians who are still practicing in Montana, in an effort to include other health care professions that are experiencing critical shortages in Montana. The legislature also considered providing student loan repayment assistance as a means to attract degreed professionals to Montana. The 2005 legislative session did not enact either proposal.

For more information and detail about this topic, please refer to the LFD Budget Analysis, Volume 4, paged E-99 to E-101, January 2005.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| Program Funding Table | | | | | | | |
|----------------------------|-------------------------------------|---------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| Student Assistance Program | | | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 8,451,220 | 97.8% | \$ 9,808,988 | 97.8% | \$ 10,068,220 | 97.8% |
| | 01100 General Fund | 8,451,220 | 97.8% | 9,808,988 | 97.8% | 10,068,220 | 97.8% |
| 03000 | Total Federal Special Funds | 188,986 | 2.2% | 225,773 | 2.2% | 225,773 | 2.2% |
| | 03164 State Student Incentive Grant | <u>188,986</u> | <u>2.2%</u> | <u>225,773</u> | <u>2.2%</u> | <u>225,773</u> | <u>2.2%</u> |
| Grand Total | | <u>\$ 8,640,206</u> | <u>100.0%</u> | <u>\$ 10,034,761</u> | <u>100.0%</u> | <u>\$ 10,293,993</u> | <u>100.0%</u> |

Funding for student assistance programs is included in the lump sum appropriation for the Montana University System (MUS). Funding is 98 percent general fund with 2 percent federal funding match programs.

The legislature approved an overall increase of 25.8 percent in the grant, loan and work study programs, including a general fund increase of \$2.0 million, in the 2007 biennium. Federal match funding increased 9 percent. Figure 8 demonstrates the legislative budget for the student assistance program, including a comparison between the 2005 and the 2007 biennia.

| Figure 8 | | | | | |
|---|--------------------|------------------------|-----------------------|-----------------------|----------------------|
| Student Assistance - State/Federal Grant and Work Study Programs | | | | | |
| Legislative House Bill 2 Budget -- Fiscal Year 2004 through Year 2007 | | | | | |
| Grant Program | Actual FY 2004 | MUS Op Plan FY 2005 | HB2 Approp FY 2006 | HB2 Approp FY 2007 | Biennial % Change |
| <u>Funded with State General Fund:</u> | | | | | |
| Baker Grants | \$2,034,870 | \$2,035,067 | \$2,034,869 | \$2,034,869 | 0.0% |
| MT Higher Education Grant (MHEG) | 229,422 | 229,422 | 229,422 | 229,422 | 0.0% |
| Special MHEG Increase (OTO) | 0 | 0 | 470,000 | 0 | 100.0% |
| SEOG * | 527,401 | 537,564 | 527,401 | 527,401 | -1.0% |
| Perkins Loan * | 149,873 | 149,576 | 149,873 | 149,873 | 0.1% |
| State Work Study | <u>862,989</u> | <u>803,322</u> | <u>862,989</u> | <u>862,989</u> | <u>3.6%</u> |
| Subtotal State Funds | <u>\$3,804,555</u> | <u>\$3,754,951</u> | <u>\$4,274,554</u> | <u>\$3,804,554</u> | <u>6.9%</u> |
| <u>New State General Fund Programs:</u> | | | | | |
| Governor's Postsecondary Scholarships (HB 435) | \$0 | \$0 | \$500,000 | \$1,000,000 | 100% |
| Subtotal New State Programs | <u>\$0</u> | <u>\$0</u> | <u>\$500,000</u> | <u>\$1,000,000</u> | <u>100%</u> |
| <u>Federal Matching Funds:</u> | | | | | |
| SLEAP Grant Program (Baker Match) | 72,628 | 136,578 | \$136,578 | \$136,578 | |
| LEAP Grant Program (MHEG Match) | <u>116,358</u> | <u>89,195</u> | <u>\$89,195</u> | <u>\$89,195</u> | |
| Subtotal Federal Funds | <u>\$188,986</u> | <u>\$225,773</u> | <u>\$225,773</u> | <u>\$225,773</u> | <u>8.9%</u> |
| Total Funds | <u>\$3,993,541</u> | <u>\$3,980,724</u> | <u>\$5,000,327</u> | <u>\$5,030,327</u> | <u>25.8%</u> |
| * Represents the state match. The federal matching funds are distributed directly to university campuses. | | | | | |

The new Governor's Postsecondary Scholarship Program, illustrated in the table and funded with \$1.5 million general fund in the 2007 biennium, represents the HB 2 appropriation for a statutory program that was created by HB 435 (see Other Legislation below).

The legislature also increased funding for the interstate professional education student assistance program, known as WICHE/WWAMI/MN Dental, by almost \$1 million general fund in the 2007 biennium, as illustrated in Figure 9.

Figure 9

2007 Biennium Legislative Budget (General Fund)

WICHE/WWAMI/MN Dental Professional Student Exchange Program

| PROGRAM | FISCAL YEAR 2006 | | | | | | FISCAL YEAR 2007 | | | | | |
|--|------------------------|-----------------|-----------|------------------------|-------------|-------------|------------------------|-----------------|-----------|------------------------|-------------|-------------|
| | State Cost Per Slot | New Students | Cost | Continuing Students | Cost | Total | State Cost Per Slot | New Students | Cost | Continuing Students | Cost | Total |
| WICHE | | | | | | | | | | | | |
| Administrative Dues | | | | | | \$108,000 | | | | | | \$112,000 |
| Professional Student Assistance: | | | | | | | | | | | | |
| Medicine | \$25,100 | 6 | \$150,600 | 19 | \$476,900 | \$627,500 | \$25,600 | 6 | \$153,600 | 20 | \$512,000 | \$665,600 |
| Osteopathic Medicine | 16,600 | 2 | 33,200 | 4 | 66,400 | 99,600 | 17,000 | 1 | 17,000 | 5 | 85,000 | 102,000 |
| Dentistry | 19,500 | 1 | 19,500 | 2 | 39,000 | 58,500 | 19,900 | 1 | 19,900 | 3 | 59,700 | 79,600 |
| Veterinary Medicine | 24,900 | 9 | 224,100 | 27 | 672,300 | 896,400 | 25,400 | 9 | 228,600 | 27 | 685,800 | 914,400 |
| Podiatry | 11,600 | 1 | 11,600 | 0 | 0 | 11,600 | 11,900 | 0 | 0 | 1 | 11,900 | 11,900 |
| Optometry | 13,300 | 1 | 13,300 | 3 | 39,900 | 53,200 | 13,600 | 1 | 13,600 | 3 | 40,800 | 54,400 |
| Public Health | 6,300 | 1 | 6,300 | 0 | 0 | 6,300 | 6,500 | 1 | 6,500 | 1 | 6,500 | 13,000 |
| Occupational Therapy | 9,200 | 1 | 9,200 | 1 | 15,334 | 24,534 | 9,400 | 1 | 9,400 | 1 | 15,666 | 25,066 |
| (Includes 1 continuing @ clinical rate FY 06 \$15,334; FY 07 \$15,666) | | | | | | | | | | | | |
| Subtotal | | 22 | \$467,800 | 56 | \$1,309,834 | \$1,885,634 | | 20 | \$448,600 | 61 | \$1,417,366 | \$1,977,966 |
| MINNESOTA DENTAL | 19,500 | 2 | 39,000 | 6 | 117,000 | 156,000 | 19,900 | 2 | 39,800 | 6 | 119,400 | 159,200 |
| WWAMI | 53,567 | 20 | 0 | 60 | 3,214,000 | 2,970,800 | 55,173 | 20 | 0 | 60 | 3,310,400 | 3,104,500 |
| TOTAL WICHE/WWAMI/MN | | 44 | \$506,800 | 122 | \$4,640,834 | \$5,012,434 | | 42 | \$488,400 | 127 | \$4,847,166 | \$5,241,666 |

Notes:

1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. (\$15,334 FY 2006; \$15,666 FY 2007)

2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | Fiscal 2006 | | | | | Fiscal 2007 | | | | |
|---|-------------|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 4 - WWAMI/WICHE/MN Dental (Restricted) | 0.00 | 365,768 | 0 | 0 | 365,768 | 0.00 | 595,000 | 0 | 0 | 595,000 |
| DP 21 - Additional Federal Funds for Student Assistance | 0.00 | 0 | 0 | 36,787 | 36,787 | 0.00 | 0 | 0 | 36,787 | 36,787 |
| Total Other Present Law Adjustments | 0.00 | \$365,768 | \$0 | \$36,787 | \$402,555 | 0.00 | \$595,000 | \$0 | \$36,787 | \$631,787 |
| Grand Total All Present Law Adjustments | | | | | \$402,555 | | | | | \$631,787 |

DP 4 - WWAMI/WICHE/MN Dental (Restricted) - The legislature added \$1.0 million general fund authority in the 2007 biennium to fund both new and continuing student slots at the increased tuition levels for the WICHE, WWAMI and MN Dental professional student exchange programs. Any unspent funds for the professional student exchange program are restricted to use only for other program 02 student assistance programs.

DP 21 - Additional Federal Funds for Student Assistance - The legislature added \$73,574 additional federal authority in the 2007 biennium for anticipated increases in federal funds for student grants. These funds will be used as the federal match portion in the state matched Baker Grant program.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|------------------|---------------|-----------------|------------------|-------------|--------------------|---------------|-----------------|--------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 101 - Governor's Postsecondary Scholarship Program | | | | | | | | | | |
| 02 | 0.00 | 500,000 | 0 | 0 | 500,000 | 0.00 | 1,000,000 | 0 | 0 | 1,000,000 |
| DP 103 - Admin - Governor's Postsecondary Scholarship Program | | | | | | | | | | |
| 02 | 0.00 | 22,000 | 0 | 0 | 22,000 | 0.00 | 22,000 | 0 | 0 | 22,000 |
| DP 1010 - Increase MHEG Student Financial Aid (OTO) | | | | | | | | | | |
| 02 | 0.00 | 470,000 | 0 | 0 | 470,000 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 0.00 | \$992,000 | \$0 | \$0 | \$992,000 | 0.00 | \$1,022,000 | \$0 | \$0 | \$1,022,000 |

DP 101 - Governor's Postsecondary Scholarship Program - The legislature approved \$1.5 million general fund in the 2007 biennium for need-based and merit-based student assistance grants for students attending both two-year and four-year degree programs of the Montana University System (including educational units, community colleges, and tribal community colleges). This appropriation provides the funding for the program created by HB 435, the Governor's Postsecondary Scholarship Program.

DP 103 - Admin - Governor's Postsecondary Scholarship Program - The legislature approved \$22,000 general fund for both FY 2006 and FY 2007, for a biennial total of \$44,000 general fund, to support the administration costs of the Governor's Postsecondary Scholarship Program.

DP 1010 - Increase MHEG Student Financial Aid (OTO) - The legislature approved \$470,000 general fund in the 2007 biennium for an additional appropriation to the Montana Higher Education Grant (MHEG) program. This is a biennial, one-time-only appropriation.

Other Legislation

HB 435 - Governor's Postsecondary Scholarship Program - The legislature approved legislation that creates the Governor's Postsecondary Scholarship Program, which creates awards based upon both financial need-based criteria as well as merit-based criteria. In addition to the scholarship awards, HB 435 creates the Governor's Scholarship Advisory Council to provide oversight for the administration of the program in partnership with the Board of Regents. Staff from the Office of the Commissioner of Higher Education will provide the day-to-day program operations of the scholarship program.

The figure below illustrates the merit and need based award components together with the categorization of the types of scholarship awards. Although the scholarship program is created in statute by HB 435, the funding for both the awards and the administration of the program is provided as a HB 2 appropriation. The figure below also illustrates the level at which HB 2 has funded this program for the 2007 biennium.

| Figure 10 | | | | | | |
|--|------------------|------------------|--|-------------|----------------------|-------------|
| Governor's Postsecondary Scholarship Program (House Bill 435) Scholarship Plan | | | | | | |
| Merit Based Component - Includes 4-year and 2-year Degree Programs | | | | | | |
| Award Category | Number of Awards | Amount Per Award | 2007 Biennium | | 2009 Biennium Plan | |
| | | | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
| | | | Total | Total | Total | Total |
| 4-Year Degree Program - Each High School | 185 | \$1,000 | \$185,000 | \$370,000 | \$555,000 | \$740,000 |
| 4-Year Degree Program - At Large | 40 | 2,000 | 80,000 | 160,000 | 240,000 | 320,000 |
| 2-Year Degree Program - Each High School | 185 | 1,000 | 185,000 | 370,000 | 370,000 | 370,000 |
| 2-Year Degree Program - At Large | 70 | 1,000 | 70,000 | 140,000 | 140,000 | 140,000 |
| Total | 480 | | \$520,000 | \$1,040,000 | \$1,305,000 | \$1,570,000 |
| Need Based Component - Includes 2-year Degree Programs Only | | | | | | |
| Award Category | Number of Awards | Amount Per Award | 2007 Biennium | | 2009 Biennium Plan | |
| | | | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
| | | | Total | Total | Total | Total |
| At Large Students (including Non-traditional) | 180 | \$1,000 | \$180,000 | \$360,000 | \$360,000 | \$360,000 |
| Health Sciences Degree Programs | 100 | 1,000 | 100,000 | 200,000 | 200,000 | 200,000 |
| Technology Degree Programs | 220 | 1,000 | 220,000 | 440,000 | 440,000 | 440,000 |
| Total | 500 | | \$500,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| | | | Total Cost - Merit and Need-based Components | | | |
| | | | 2007 Biennium | | 2009 Biennium Plan | |
| | | | FY 2006 | FY 2007 | FY 2008 | FY 2009 |
| | | | Total | Total | Total | Total |
| Total | | | \$1,020,000 | \$2,040,000 | \$2,305,000 | \$2,570,000 |
| Total House Bill 2 Appropriation - 2007 Biennium | | | \$500,000 | \$1,000,000 | Scholarship Awards | |
| | | | \$22,000 | \$22,000 | Administrative Costs | |

It should be noted that if the HB 2 appropriation falls short of the total required to fully fund HB 435, the legislature provided a formula to allocate the scholarship funding. Specifically, the available funding will be prioritized first for continuing scholarship awards to prior recipients, after which the awards will be reduced in each category in proportion to the HB 2 funding that is available in each biennium.

Language

The legislature approved the following language for inclusion in HB2:

The legislature approved language to restrict any surplus funding for WICHE/WWAMI/MN Dental to be expended only for other student assistance benefits, rather than for administration:

"WICHE/WWAMI/MN Dental Program is restricted such that any surplus funding may be transferred only to other student financial aid programs in Program 02."

The legislature approved language to restrict a portion of the appropriation for the scholarship funding, limiting the amount that may be used for administrative costs:

"Of the amount in Governor's Postsecondary Scholarship Program, \$22,000 in fiscal year 2006 and \$22,000 in fiscal year 2007 are restricted for administration costs of the scholarship program."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Personal Services | 17,462 | (17,462) | 0 | 0 | (17,462) | 0 | 0 | 0 |
| Operating Expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants | 277,667 | 85,279 | 0 | 362,946 | 85,279 | 0 | 362,946 | 725,892 |
| Total Costs | \$295,129 | \$67,817 | \$0 | \$362,946 | \$67,817 | \$0 | \$362,946 | \$725,892 |
| Federal Special | 295,129 | 67,817 | 0 | 362,946 | 67,817 | 0 | 362,946 | 725,892 |
| Total Funds | \$295,129 | \$67,817 | \$0 | \$362,946 | \$67,817 | \$0 | \$362,946 | \$725,892 |

Program Description

Improving Teacher Quality is a federally funded grant program that provides awards to fund partnerships between higher education and high-need K-12 school districts, in order to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom. Starting in federal fiscal year 2002, what had been the Eisenhower Mathematics & Science Education program (for K-12 teachers of math and science) was expanded to include all academic areas and the program was renamed, now known as the federal Improving Teacher Quality program.

Program Highlights

| Improving Teacher Quality Program Major Budget Highlights | |
|--|--|
| ♦ | The legislative budget increases funding by the amount equal to the anticipated federal grant award in the 2007 biennium |

Program Narrative

As part of the federal No Child Left Behind program, Improving Teacher Quality targets teacher training in "high-need" schools, which are defined as those where:

- Not less than 20 percent of the students served are from families with household income below the poverty line
- A high percentage of teachers are without degrees in the academic areas and/or grade levels that they are teaching, or who hold less than standard teacher certification from OPI

Teacher training sessions are typically hosted on the university campuses of the Montana University System throughout Montana, where university faculty often lead training sessions both in content area as well as teaching methods.

Funding

Funding for this program is entirely from the federal Improving Teacher Quality grant. There is no state funding match required by the federal grant.

| | | Program Funding Table | | | | | |
|-----------------|----------------------------------|---------------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Improving Teacher Quality | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 03000 | Total Federal Special Funds | \$ 295,129 | 100.0% | \$ 362,946 | 100.0% | \$ 362,946 | 100.0% |
| | 03183 Ed For Econ Security Grant | \$ 295,129 | 100.0% | \$ 362,946 | 100.0% | \$ 362,946 | 100.0% |
| Grand Total | | \$ 295,129 | 100.0% | \$ 362,946 | 100.0% | \$ 362,946 | 100.0% |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|-------------|--------------|---------------|-----------------|-------------------|-------------|--------------|---------------|-----------------|-------------------|
| Fiscal 2006 | | | | | | Fiscal 2007 | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | (17,462) | | | | | (17,462) |
| Total Statewide Present Law Adjustments | | | | | (\$17,462) | | | | | (\$17,462) |
| DP 22 - Increase Improving Teacher Quality Grants | 0.00 | 0 | 0 | 85,279 | 85,279 | 0.00 | 0 | 0 | 85,279 | 85,279 |
| Total Other Present Law Adjustments | 0.00 | \$0 | \$0 | \$85,279 | \$85,279 | 0.00 | \$0 | \$0 | \$85,279 | \$85,279 |
| Grand Total All Present Law Adjustments | | | | | \$67,817 | | | | | \$67,817 |

DP 22 - Increase Improving Teacher Quality Grants - The legislature added \$170,558 of federal funding authority in the 2007 biennium for anticipated grants to support programs that improve K-12 teacher quality. The increase would allow the Office of the Commissioner of Higher Education to fully expend the anticipated amount of this federal grant each year of the 2007 biennium.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Local Assistance | 6,292,234 | 984,185 | 655,997 | 7,932,416 | 1,346,290 | 914,993 | 8,553,517 | 16,485,933 |
| Total Costs | \$6,292,234 | \$984,185 | \$655,997 | \$7,932,416 | \$1,346,290 | \$914,993 | \$8,553,517 | \$16,485,933 |
| General Fund | 6,292,234 | 984,185 | 655,997 | 7,932,416 | 1,346,290 | 914,993 | 8,553,517 | 16,485,933 |
| Total Funds | \$6,292,234 | \$984,185 | \$655,997 | \$7,932,416 | \$1,346,290 | \$914,993 | \$8,553,517 | \$16,485,933 |

Program Description

The Community College Assistance program distributes funds appropriated by the legislature to support Montana's three community colleges:

- Miles Community College located in Miles City
- Dawson Community College located in Glendive
- Flathead Valley Community College with campuses located in Kalispell and Libby

Each community college district has an elected board of trustees who have governance authority over the college, but the trustees are subject to the supervision of the MUS Board of Regents, as directed by Title 20, Chapter 15, MCA.

Program Highlights

| Community College Assistance Program Major Budget Highlights | |
|---|---|
| ♦ | The legislature approved a general fund increase of \$2.3 million for the community colleges based upon a three factor formula: <ul style="list-style-type: none"> • 6 percent enrollment growth in FY 2006 and 11 percent in FY 2007 • Maintenance of the 2005 biennium cost of education factor (including the special session reductions), adjusted for statewide present law adjustments • Continuation of the state share for the cost of education at the 53 percent level |
| ♦ | The legislature approved \$900,000 general fund for a one-time-only special assistance appropriation to support the community colleges while the cost of education factor is studied and potentially re-calibrated |

Program Narrative

Title 20, Chapter 15, part 3, MCA defines the financing of Montana community colleges. The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory property tax levy, an optional voted levy, and other miscellaneous revenue funds. Only the state general fund is appropriated in HB 2.

The legislature approved the general fund portion of the 2007 biennium budget as shown in Figure 10, which uses a formula based upon student enrollment projections, the estimated annual cost of education per student FTE, and the state percentage share of that cost.

| Figure 10 | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Community College Assistance Program | | | | | | | | |
| 2007 Biennium Legislative House Bill 2 Budget - General Fund | | | | | | | | |
| Budget Item Factors | Fiscal Year 2006 | | | | Fiscal Year 2007 | | | |
| | Dawson | Flathead Valley | Miles | Total | Dawson | Flathead Valley | Miles | Total |
| Projected Resident Student FTE | 515 | 1,550 | 566 | 2,631 | 545 | 1,625 | 600 | 2,770 |
| Total \$ per FTE (Cost of Education) | \$5,203 | \$5,203 | \$5,203 | \$5,203 | \$5,203 | \$5,203 | \$5,203 | \$5,203 |
| State % Share of Cost of Education | 53% | 53% | 53% | 53% | 53% | 53% | 53% | 53% |
| State \$ per FTE | \$2,758 | \$2,758 | \$2,758 | \$2,758 | \$2,758 | \$2,758 | \$2,758 | \$2,758 |
| Calculated Total Funding Budget | <u>\$1,420,159</u> | <u>\$4,274,265</u> | <u>\$1,560,796</u> | <u>\$7,255,219</u> | <u>\$1,502,887</u> | <u>\$4,481,084</u> | <u>\$1,654,554</u> | <u>\$7,638,524</u> |
| Plus State share of Audit** | 6,360 | 8,480 | 6,360 | 21,200 | 0 | 0 | 0 | 0 |
| Special Funding Assistance (OTO) | 150,000 | 150,000 | 150,000 | 450,000 | 150,000 | 150,000 | 150,000 | 450,000 |
| Total Legislative Budget | <u>\$1,576,519</u> | <u>\$4,432,745</u> | <u>\$1,717,156</u> | <u>\$7,726,419</u> | <u>\$1,652,887</u> | <u>\$4,631,084</u> | <u>\$1,804,554</u> | <u>\$8,088,524</u> |
| ** Biennial appropriation | | | | | | | | |

The legislature accepted student enrollment projections of 2,631 FTE for FY 2006 and 2,770 FTE for FY 2007. The legislature approved an estimated annual cost of education per student FTE of \$5,203 and approved the state percentage share of that cost at 53 percent for the 2007 biennium, for an appropriation of \$2,758 per FTE student at each college.

The legislature also approved a one-time-only special funding assistance appropriation of \$900,000 general fund for the community colleges. This appropriation was made in a block grant and allocated equally among the three colleges, as the legislature expressed concerns about the cost of education per student factor that is used in the community college funding formula (see DP 1000 under "New Proposals" and "Language" below).

Because of concern about the cost of education factor, the legislature has requested that the Legislative Finance Committee make it a priority to look at the community college funding formula during the interim and report to the next legislature about options for recalibrating the cost of education factor as part of the subsequent formula for funding community college assistance.

Funding

The Community College Assistance program is entirely general fund. The community colleges use the higher education fund structure to account for revenues and expenditures, the same fund structure used by the educational units and higher education agencies.

| Program Funding Table | | | | | | |
|------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Community College Assistance | | | | | | |
| Program Funding | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 Total General Fund | \$ 6,292,234 | 100.0% | \$ 7,932,416 | 100.0% | \$ 8,553,517 | 100.0% |
| 01100 General Fund | <u>6,292,234</u> | <u>100.0%</u> | <u>7,932,416</u> | <u>100.0%</u> | <u>8,553,517</u> | <u>100.0%</u> |
| Grand Total | <u>\$ 6,292,234</u> | <u>100.0%</u> | <u>\$ 7,932,416</u> | <u>100.0%</u> | <u>\$ 8,553,517</u> | <u>100.0%</u> |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| DP 5 - Resident Enrollment Growth--Community Colleges | | | | | | | | | | |
| 0.00 | 984,185 | 0 | 0 | 984,185 | 0.00 | 1,346,290 | 0 | 0 | 1,346,290 | |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$984,185 | \$0 | \$0 | \$984,185 | 0.00 | \$1,346,290 | \$0 | \$0 | \$1,346,290 | |
| Grand Total All Present Law Adjustments | | | | | | | | | | |
| | | | | \$984,185 | | | | | | \$1,346,290 |

DP 5 - Resident Enrollment Growth--Community Colleges - The legislature annualized the state share of the pay plan (HB 13 of the 2003 session) and inflation factors, continued the August 2002 Special Session reductions as part of the cost of education calculation, and updated resident enrollment with growth projections for the 2007 biennium, increasing the general fund for community college assistance by a total of \$2.3 million.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|------------------|---------------|-----------------|------------------|-------------|------------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1000 - Community College Assistance Special Funding - OTO | | | | | | | | | | |
| 04 | 0.00 | 450,000 | 0 | 0 | 450,000 | 0.00 | 450,000 | 0 | 0 | 450,000 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 04 | 0.00 | 205,997 | 0 | 0 | 205,997 | 0.00 | 464,993 | 0 | 0 | 464,993 |
| Total | 0.00 | \$655,997 | \$0 | \$0 | \$655,997 | 0.00 | \$914,993 | \$0 | \$0 | \$914,993 |

DP 1000 - Community College Assistance Special Funding - OTO - The legislature approved \$900,000 general fund in the 2007 biennium for community college assistance that is to be allocated equally (\$300,000 each college) across the three community college campuses (Dawson, Flathead Valley, and Miles). This special funding assistance is a biennial, one-time-only (OTO) appropriation. The legislature approved this funding together with a request (see Language below) that the Legislative Finance Committee (LFC) make it a high priority to look at the community college funding formula and statutes, and report to the 2007 legislature on recalibrating the cost of education per student factor and other funding issues.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund this pay plan. Figure 11 illustrates the pay plan allocation among the three community colleges.

| Figure 11 Community College 2007 Biennium Pay Plan Allocation (DP 6010) | | | | |
|--|------------|------------|------------|------------|
| | Flathead | | | |
| | Dawson | Valley | Miles City | Total |
| FTE Employees | 49.40 | 155.37 | 51.60 | 256.37 |
| FY 2006 Funding | \$ 39,694 | \$ 124,842 | \$ 41,461 | \$ 205,997 |
| FY 2007 Funding | 89,600 | 281,803 | 93,590 | 464,993 |
| Total Funding | \$ 129,294 | \$ 406,645 | \$ 135,051 | \$ 670,990 |

Language

The legislature approved the following language for inclusion in HB 2:

Budget Amount per Full-time Equivalent Student (FTE)

The legislature approved the following HB 2 language identifying the total budget amount per FTE student at community colleges as required by state law, 20-15-312, MCA:

“The budget amount for each full-time equivalent student at the community colleges, including Summitnet, is \$5,203 each year of the 2007 biennium. The general fund appropriation for Community College Assistance provides 53% of the budget amount for each full-time equivalent student each year of the 2007 biennium. The remaining 47% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated for Community College Assistance.”

General fund reversion if enrollment projections are not met

The legislature approved the following language in HB 2 in order to clarify the process for general fund reversion should the enrollment projections at the community colleges fall short of the enrollment factor accepted as part of the community college funding formula:

“The general fund appropriation for Community College Assistance is calculated to fund education in the community colleges for an estimated 2,631 resident FTE students in fiscal year 2006 and 2,770 in fiscal year 2007. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the commissioner of higher education shall revert general fund money to the state in accordance with 17-7-142.”

Information Technology Costs

The legislature approved the following language to provide for the costs of connecting the community colleges to the state computer network:

“Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. Summitnet costs charged to the community colleges for each year may not exceed \$8,000 each for Dawson and Miles community colleges and \$9,000 for Flathead Valley community college.”

Audit Costs

“Total audit costs are estimated to be \$40,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53% of the total audit costs in the 2007 biennium. The remaining 47% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$12,500 each for Dawson and Miles community colleges and \$15,000 for Flathead Valley community college.”

Special Funding Assistance for Community Colleges

The legislature approved the following HB 2 language as part of the special assistance appropriation in order to express concern about the community college assistance funding formula, in particular the cost of education factor, and to request that the Legislative Finance Committee would address this concern during the interim:

“Community College Assistance Special Funding, is appropriated as a block grant allocation, rather than following the standard three-factor funding formula, because the legislature has concerns about the cost of education factor. The legislature requests that the legislative finance committee make it a high priority to look at the community college funding formula and statutes and report to the 2007 legislature on recalibrating the cost of education factor and other funding issues.”

Proprietary Program Description

The Board of Regents provides faculty and staff with group benefits through the Montana University System (MUS) Group Insurance Program, which includes a Flexible Spending Account option. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability and long-term care benefits.

Since FY 2004, the Office of the Commissioner of Higher Education (OCHE) has administered a self-funded workers compensation program that provides coverage for the entire MUS, covering all employees of all units and programs. The self-funded program was established with a \$2 million reserve that was raised through a revenue bond with a five-year payoff schedule that is built into the premiums charged to each employer unit.

Funding

The group health and flexible spending program is an enterprise fund in which the funding sources include:

1. Employer-paid contribution toward insurance premiums
2. Employee-paid contribution toward insurance premiums
3. Employee payments to flexible spending accounts
4. Interest earnings of the program fund

The self-funded workers compensation program is an enterprise fund in which the funding sources include:

1. Employer-paid premiums
2. Interest earnings of the program reserve fund

Language

Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703, and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Proprietary Rate Explanation

The legislature has defined the rates and fees for the MUS employee group health and flexible spending benefits program to mean the state contribution and the employee contribution toward employee group benefits that is necessary to maintain the benefit plan on an actuarially sound basis. Starting in calendar year 2005, the annual state contribution available per employee is \$5,520, while the average insurance premium for an individual MUS employee is \$5,481, depending upon the various plan options selected. Insurance premiums for MUS employees with spouse and children average \$7,581 annually, again depending upon the various plans and options offered. This amount is \$2,061 more per year than the state contribution.

The legislature approved (in HB 447 the pay plan) a \$46 increase per month in FY 2006 and a \$51 increase per month in FY 2007 towards the cost of employee health insurance. The projected number of employees and retirees who will participate in the MUS Group Insurance Program during the 2007 biennium is 7,916.

Employee premiums depend on the plan selected and whether the contributor is a current employee, an employee dependent, or a retiree. Payments to a flexible spending account are at the discretion of the employee, subject to a \$10 monthly minimum for those who choose to enroll.

The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations. For FY 2006 the total premium fees are \$3.2 million and in FY 2007 the total premium fees are \$3.5 million. This amount represents an increase of 32 percent from FY 2004 to FY 2006 and another 10 percent in FY 2007.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 20.45 | 0.00 | 0.50 | 20.95 | 0.00 | 0.50 | 20.95 | 20.95 |
| Personal Services | 889,445 | (34,199) | 63,564 | 918,810 | (34,204) | 110,824 | 966,065 | 1,884,875 |
| Operating Expenses | 413,419 | 105,456 | 50,000 | 568,875 | 106,308 | 0 | 519,727 | 1,088,602 |
| Grants | (326,090) | 1,580,766 | 0 | 1,254,676 | 1,580,663 | 0 | 1,254,573 | 2,509,249 |
| Transfers | 547,201 | 0 | 0 | 547,201 | 0 | 0 | 547,201 | 1,094,402 |
| Total Costs | \$1,523,975 | \$1,652,023 | \$113,564 | \$3,289,562 | \$1,652,767 | \$110,824 | \$3,287,566 | \$6,577,128 |
| General Fund | 81,595 | 18,166 | 2,928 | 102,689 | 18,936 | 7,218 | 107,749 | 210,438 |
| State/Other Special | 0 | 0 | 50,000 | 50,000 | 0 | 0 | 0 | 50,000 |
| Federal Special | 1,442,380 | 1,633,857 | 60,636 | 3,136,873 | 1,633,831 | 103,606 | 3,179,817 | 6,316,690 |
| Total Funds | \$1,523,975 | \$1,652,023 | \$113,564 | \$3,289,562 | \$1,652,767 | \$110,824 | \$3,287,566 | \$6,577,128 |

Program Description

Talent Search is primarily a federally funded program intended to decrease the dropout rate of low-income and at-risk students at the secondary school level, and to increase their commitment to and subsequent enrollment in post-secondary education. Talent Search has three components providing services to the target populations:

- Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) is an early intervention and scholarship program that provides mentoring, counseling and outreach to build academic success that will lead to post-secondary education enrollment and achievement
- Montana Educational Talent Search (METS) creates a long-term academic contract with middle school students that subsequently provides academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a post-secondary education
- American Indian/Minority Achievement works with the campuses of the MUS to recruit, enroll and graduate American Indian and other minority students with a post-secondary education

Program Highlights

| Talent Search Program Major Budget Highlights | |
|--|--|
| ◆ | The legislature approved an increase of \$3.3 million of federal funding authority for the 2007 biennium in anticipation of the following grants: <ul style="list-style-type: none"> ● \$3.2 million for the GEAR-UP program ● \$0.18 million for the METS program |
| ◆ | The legislature approved an additional 0.50 FTE for an accounting position in the GEAR UP program, funded with federal special revenue |
| ◆ | The legislature approved \$50,000 state special revenue to support the annual Montana Conference on Race in the Minority Achievement Program |

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table | | | | | |
|-----------------|-----------------------------|-----------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| | | Talent Search | | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 81,595 | 5.4% | \$ 102,689 | 3.1% | \$ 107,749 | 3.3% |
| | 01100 General Fund | 81,595 | 5.4% | 102,689 | 3.1% | 107,749 | 3.3% |
| 02000 | Total State Special Funds | - | - | 50,000 | 1.5% | - | - |
| | 02185 Aima Conference Fees | - | - | 50,000 | 1.5% | - | - |
| 03000 | Total Federal Special Funds | 1,442,380 | 94.6% | 3,136,873 | 95.4% | 3,179,817 | 96.7% |
| | 03806 Talent Search | 479,738 | 31.5% | 587,393 | 17.9% | 614,014 | 18.7% |
| | 03958 Gear-Up Grant | 962,642 | 63.2% | 2,549,480 | 77.5% | 2,565,803 | 78.0% |
| Grand Total | | \$ 1,523,975 | 100.0% | \$ 3,289,562 | 100.0% | \$ 3,287,566 | 100.0% |

Talent Search is comprised of three subprograms that are funded as follows:

- The Talent Search subprogram is funded entirely with federal funds, with no state funding match requirements
- The GEAR UP subprogram is funded entirely with federal funds, which includes a fifty percent non-federal match requirement. That match is provided entirely through allowable in-kind services
- The Minority Achievement subprogram has been funded entirely with general fund since 1991, but the legislature approved \$50,000 state special revenue in the 2007 biennium to fund the Montana Conference on Race. Revenue from conference fees will be used to fund the conference expenditures (see DP 1001 in "New Proposals" below).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|-----------------|------------------|--------------------|--------------------|-----------------------|-----------------|------------------|--------------------|--------------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 1,434 | | | | | 1,432 |
| Vacancy Savings | | | | (35,633) | | | | | (35,636) |
| Inflation/Deflation | | | | (346) | | | | | (332) |
| Fixed Costs | | | | 12,462 | | | | | 18,849 |
| Total Statewide Present Law Adjustments | | | | (\$22,083) | | | | | (\$15,687) |
| DP 23 - Increase Federal Talent Search Grant Funds | | | | | | | | | |
| 0.00 | 0 | 0 | 93,340 | 93,340 | 0.00 | 0 | 0 | 87,791 | 87,791 |
| DP 24 - Increase Federal GEAR-UP Grant Funds | | | | | | | | | |
| 0.00 | 0 | 0 | 1,580,766 | 1,580,766 | 0.00 | 0 | 0 | 1,580,663 | 1,580,663 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$0 | \$1,674,106 | \$1,674,106 | 0.00 | \$0 | \$0 | \$1,668,454 | \$1,668,454 |
| Grand Total All Present Law Adjustments | | | | \$1,652,023 | | | | | \$1,652,767 |

DP 23 - Increase Federal Talent Search Grant Funds - The legislature added \$181,131 of federal authority in the 2007 biennium to allow the Office of the Commissioner of Higher Education (OCHE) to fully expend the anticipated amount of this federal grant each year of the 2007 biennium.

DP 24 - Increase Federal GEAR-UP Grant Funds - The legislature added \$3,161,429 of federal authority in the 2007 biennium to allow the Office of the Commissioner of Higher Education to fully expend the anticipated amount of this federal grant each year of the 2007 biennium.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|-----------------------|-----------------|-----------------|------------------|-----------------------|----------------|---------------|------------------|------------------|
| Program | FTE | -----Fiscal 2006----- | | | | -----Fiscal 2007----- | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 20 - Add 0.50 FTE Accountant for GEAR-UP Grant | | | | | | | | | | |
| 06 | 0.50 | 0 | 0 | 28,800 | 28,800 | 0.50 | 0 | 0 | 28,813 | 28,813 |
| DP 1001 - Montana Conference on Race (Biennial) | | | | | | | | | | |
| 06 | 0.00 | 0 | 50,000 | 0 | 50,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 06 | 0.00 | 2,928 | 0 | 31,836 | 34,764 | 0.00 | 7,218 | 0 | 74,793 | 82,011 |
| Total | 0.50 | \$2,928 | \$50,000 | \$60,636 | \$113,564 | 0.50 | \$7,218 | \$0 | \$103,606 | \$110,824 |

DP 20 - Add 0.50 FTE Accountant for GEAR-UP Grant - The legislature added 0.50 FTE to be funded from the federal GEAR-UP grant for an accountant to assist with program financial management.

DP 1001 - Montana Conference on Race (Biennial) - The legislature approved \$50,000 state special revenue as a biennial appropriation so that the Commissioner of Higher Education can sponsor a Montana Conference on Race. The revenue source will be the conference fees, which will be used to fund conference related expenditures.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 5.00 | 0.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 | 5.00 |
| Personal Services | 243,674 | 25,000 | 11,632 | 280,306 | 24,457 | 25,980 | 294,111 | 574,417 |
| Operating Expenses | 101,552 | 537 | 55,000 | 157,089 | 2,913 | 55,000 | 159,465 | 316,554 |
| Grants | 2,259,705 | 79,621 | 56,250 | 2,395,576 | (44,518) | 56,250 | 2,271,437 | 4,667,013 |
| Transfers | 3,540,126 | 0 | 0 | 3,540,126 | 0 | 0 | 3,540,126 | 7,080,252 |
| Total Costs | \$6,145,057 | \$105,158 | \$122,882 | \$6,373,097 | (\$17,148) | \$137,230 | \$6,265,139 | \$12,638,236 |
| General Fund | 90,094 | 320 | 2,930 | 93,344 | 3,014 | 7,224 | 100,332 | 193,676 |
| Federal Special | 6,054,963 | 104,838 | 119,952 | 6,279,753 | (20,162) | 130,006 | 6,164,807 | 12,444,560 |
| Total Funds | \$6,145,057 | \$105,158 | \$122,882 | \$6,373,097 | (\$17,148) | \$137,230 | \$6,265,139 | \$12,638,236 |

Program Description

The federal Carl D. Perkins Vocational and Applied Technology Education Act provides funds to support vocational education (career training and technical education) at the secondary and post secondary levels. The Board of Regents is the state agency that administers these funds. Section 20-7-329 MCA provides that the Board of Regents contract with the Superintendent of Public Instruction to administer and supervise the K-12 vocational education programs, while the Office of the Commissioner of Higher Education (OCHE) provides administrative support for vocational programs at the postsecondary education level.

Thus, OCHE coordinates these primarily federally funded vocational education efforts aimed at workforce development through two grant programs:

- Carl Perkins formula and competitive grants, which fund equipment, faculty and other support directly to vocational education programs in two-year postsecondary institutions
- Tech Prep Grants, which are allocated across five regions in Montana to support planning, collaboration and integration of the vocational education infrastructure and curricula at the secondary and postsecondary institutions in each region

Program Highlights

| Workforce Development Program | |
|-------------------------------|--|
| Major Budget Highlights | |
| ◆ | The legislature approved additional federal funding authority for: <ul style="list-style-type: none"> • Present law adjustments that fully expend the anticipated federal grant award • New funding for the federal Perkins Incentive Grant award to support two-year postsecondary education programs |

Program Narrative

As part of the Workforce Development Program, the legislature approved funding to support expanding two-year degree programs in the health care professions (see DP 1050 below under "New Proposals"). This program expansion was a finding called for in the September 26, 2002 report issued by the Blue Ribbon Task Force on Health Care Workforce Shortages (Competing for Quality Care: Findings and Proposals for Montana's Health Care Workforce).

That report outlines the shortage of health care workers across many Montana communities, in particular the most rural communities of the east and central regions. As a response to this shortage, the report calls for "the Departments of Labor and Industry and Public Health and Human Services to establish, as high priorities, careers in health care for all new and existing publicly funded employment and training programs."

Therefore, the legislature approved new funding from federal Workforce Investment Act funds, administered by the Department of Labor and Industry, to support expanding health care professions training and education programs at the two-year institutions of the Montana University System. The Commissioner of Higher Education, through the workforce development program, will administer this new program initiative.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Work Force Development P | | | | | |
|-----------------|-------------------------------------|---|----------------------|-------------------|------------------------|-------------------|------------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 | Total General Fund | \$ 90,094 | 1.5% | \$ 93,344 | 1.5% | \$ 100,332 | 1.6% |
| | 01100 General Fund | 90,094 | 1.5% | 93,344 | 1.5% | 100,332 | 1.6% |
| 03000 | Total Federal Special Funds | 6,054,963 | 98.5% | 6,279,753 | 98.5% | 6,164,807 | 98.4% |
| | 03043 Sw Workforce-Health Care Prov | - | - | 112,500 | 1.8% | 112,500 | 1.8% |
| | 03215 Carl Perkins Federal Funds | 5,528,191 | 90.0% | 5,662,351 | 88.8% | 5,547,405 | 88.5% |
| | 03951 Tech Prep Grant | 526,772 | 8.6% | 504,902 | 7.9% | 504,902 | 8.1% |
| Grand Total | | \$ 6,145,057 | 100.0% | \$ 6,373,097 | 100.0% | \$ 6,265,139 | 100.0% |

The federal Carl Perkins grant requires a general fund match for administrative costs of the program; all other funding is from federal grants.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|---|-----------------|------------------|--------------------|----------------|-----------------------|-----------------|------------------|--------------------|----------------|
| -----Fiscal 2006----- | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | 36,195 | | | | | 35,628 |
| Vacancy Savings | | | | (11,195) | | | | | (11,171) |
| Inflation/Deflation | | | | (104) | | | | | (101) |
| Fixed Costs | | | | 641 | | | | | 3,014 |
| Total Statewide Present Law Adjustments | | | | \$25,537 | | | | | \$27,370 |
| DP 25 - Increase Federal Carl Perkins Grant Funds | 0.00 | 0 | 0 | 79,621 | 0.00 | 0 | 0 | (44,518) | (44,518) |
| Total Other Present Law Adjustments | | | | | | | | | |
| | 0.00 | \$0 | \$0 | \$79,621 | 0.00 | \$0 | \$0 | (\$44,518) | (\$44,518) |
| Grand Total All Present Law Adjustments | | | | \$105,158 | | | | | (\$17,148) |

DP 25 - Increase Federal Carl Perkins Grant Funds - The legislature increased federal authority in the 2007 biennium to allow the Office of the Commissioner of Higher Education (OCHE) to fully expend the anticipated amount of this federal grant, which includes an incentive grant awarded during the 2005 biennium.

New Proposals

| New Proposals | | | | | | | | | | |
|--|-------------|----------------|---------------|------------------|------------------|-------------|----------------|---------------|------------------|------------------|
| Program | FTE | Fiscal 2006 | | | | Fiscal 2007 | | | | |
| | | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 1050 - Increase Federal Authority - Perkins Incentive | | | | | | | | | | |
| 08 | 0.00 | 0 | 0 | 112,500 | 112,500 | 0.00 | 0 | 0 | 112,500 | 112,500 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 08 | 0.00 | 2,930 | 0 | 7,452 | 10,382 | 0.00 | 7,224 | 0 | 17,506 | 24,730 |
| Total | 0.00 | \$2,930 | \$0 | \$119,952 | \$122,882 | 0.00 | \$7,224 | \$0 | \$130,006 | \$137,230 |

DP 1050 - Increase Federal Authority - Perkins Incentive - The legislature approved \$225,000 additional federal authority for the workforce development program to expend funds received from a Perkins Incentive Grant (administered by the MT Department of Labor). The project will include developing two-year postsecondary education programs in the health professions field.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent the program's allocation of costs to fund this pay plan.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table are the HB 447 pay plan allocations, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 43,983 | 0 | 0 | 43,983 | 0 | 0 | 43,983 | 87,966 |
| Transfers | 137,255,170 | 4,234,677 | 6,115,653 | 147,605,500 | 3,964,886 | 11,282,906 | 152,502,962 | 300,108,462 |
| Total Costs | \$137,299,153 | \$4,234,677 | \$6,115,653 | \$147,649,483 | \$3,964,886 | \$11,282,906 | \$152,546,945 | \$300,196,428 |
| General Fund | 124,198,153 | 3,064,676 | 6,050,956 | 133,313,785 | 2,500,886 | 11,213,868 | 137,912,907 | 271,226,692 |
| State/Other Special | 13,101,000 | 1,170,001 | 64,697 | 14,335,698 | 1,464,000 | 69,038 | 14,634,038 | 28,969,736 |
| Non Expendable Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funds | \$137,299,153 | \$4,234,677 | \$6,115,653 | \$147,649,483 | \$3,964,886 | \$11,282,906 | \$152,546,945 | \$300,196,428 |

Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to: 1) the university system educational units, the colleges of technology, and other campus related appropriations; and 2) the research/public service agencies.

The program budgets, present law adjustments, and new proposals, together with explanations, are organized as follows:

- Educational Units (Montana State University campuses and University of Montana campuses)
- Agricultural Experimental Station (AES)
- Extension Services (ES)
- Forestry and Conservation Experiment Station (FCES)
- Montana Bureau of Mines and Geology (Bureau)
- Fire Services Training School (FSTS)

Program Highlights

| Appropriation Distribution Program | |
|------------------------------------|---|
| Major Budget Highlights | |
| ♦ | The legislature approved a \$4.5 million one-time-only general fund appropriation to fund equipment acquisition for two-year degree programs at both the university educational units and the community colleges |
| ♦ | The legislature approved a \$300,000 one-time-only general fund appropriation to support the distance learning project under the Shared Leadership for a Stronger Montana Economy initiatives |
| ♦ | Statewide present law adjustments at the university educational units are funded at a rate of 80 percent, based upon resident student enrollment rather than the traditional state share of university educational costs of 43 percent, almost doubling the expenditure level for these adjustments |
| ♦ | The marginal cost per student calculation used to determine funding for resident student enrollment growth is carried forward from the 2005 biennium budget, rather than updated with base year factors |
| ♦ | The legislature approved \$200,000 general fund for the water quality monitoring laboratory program for the Flathead Basin at the Yellow Bay Biological Station of the University of Montana |
| ♦ | The legislature approved a \$133,735 one-time-only appropriation from excess Resource Indemnity Trust Fund revenue to fund the Bureau of Mines and Geology groundwater assessment program |

Program Narrative

The legislature approved present law increases for the university educational units in the amount of \$6.7 million in the 2007 biennium (after backing out \$5.5 million to equalize the base from the impact of SB 407, the limited sales tax measure, which was passed and approved in the 2003 session). These adjustments contemplated resident enrollment growth, pay plan changes, and other fixed cost rate changes. In approving this level of present law adjustment funding, the legislature also approved a change in the funding formula as the 2007 biennium budget funds the university units at the 80 percent level for present law adjustments, based upon the ratio of Montana resident students that comprise total student enrollment in the base year. Under the prior funding formula these adjustments would have been funded at 43 percent, which represents the state percentage share of total funding for the educational costs of the university units in the 2004 base year.

The legislature also approved \$11.9 million general fund over the 2007 biennium as part of HB 447 pay plan adjustments for both the educational units and the research/public service agencies. The amount appropriated specifically for the university educational units, \$9.6 million, represents a state percentage share of funding at 43 percent. The legislature did not alter the state percentage share to fund the pay plan for the educational units as it did for the present law adjustments discussed above.

The university units also received \$4.76 million general fund to support new proposals that include funding to support a system wide distance learning initiative and funding for equipment/program development at the 2-year degree programs across the units, including the community colleges. These two new initiatives were part of the Shared Leadership for a Stronger Montana Economy project that has been a major effort of the Board of Regents and the Commissioner of Higher Education.

The research/public service agencies received present law increases totaling \$1.5 million in the 2007 biennium to support pay plan and fixed cost rate changes. In addition, the legislature approved new proposals for the Extension Service (FTE for livestock specialist, cropping specialist, and an agent for Meagher County), for the Bureau of Mines and Geology (FTE for a coal geologist for the coalbed methane program and one-time-only assistance for the groundwater assessment program), and for the Yellow Bay Biological Station (for Flathead Basin water quality monitoring).

Student Enrollment Projections

The legislature accepted the student enrollment projections presented by the university units as the basis for present law adjustment funding to support resident enrollment growth. The growth projections for the 2007 biennium are significantly lower than the past several years and lower than anticipated by the Commissioner of Higher Education. Given these modest growth projections, the legislature approved a funding formula for resident enrollment growth that funds each student FTE at \$1,888 per year, carrying forward the calculation from the 2005 biennium budget. Updating this formula calculation would have decreased this per student allocation to \$1,599.

Figure 12 below illustrates university unit enrollment back to FY 1995 and includes projections for the 2007 biennium years.

University officials attribute the slowing in resident enrollment growth to a combination of the decline in the number of high school graduates in Montana together with the impact that the tuition rate increases have had on the comparative tuition rates of Montana university units within the region. In some cases the resident tuition rate for Montana University System units is only moderately lower than out-of-state tuition rates for regional colleges and universities.

Tuition Rate Projections

Tuition revenue for the university units is not included in HB 2 because it is considered private revenue and is not, therefore, subject to legislative appropriation. Tuition revenue is a significant portion of the funding that supports the cost of education in the university units (approximately 57 percent in the FY 2004 base year).

Figure 12
Montana University System Student FTE Enrollment
Fiscal 1995 - Fiscal 2005

| <u>Fiscal Year</u> | <u>Resident Student FTE</u> | <u>Annual % Change</u> | <u>Change from Base</u> | <u>Total Student FTE</u> | <u>Resident as a % of Total</u> |
|---------------------|-----------------------------|------------------------|-------------------------|--------------------------|---------------------------------|
| FY 95 Actual | 23,573 | | | 29,876 | 78.9% |
| FY 96 Actual | 23,557 | -0.1% | | 30,315 | 77.7% |
| FY 97 Actual | 24,020 | 2.0% | | 30,920 | 77.7% |
| FY 98 Actual | 24,323 | 1.3% | | 31,227 | 77.9% |
| FY 99 Actual | 24,436 | 0.5% | | 31,383 | 77.9% |
| FY 00 Actual | 24,605 | 0.7% | | 31,498 | 78.1% |
| FY 01 Actual | 24,851 | 1.0% | | 31,566 | 78.7% |
| FY 02 Actual | 25,566 | 2.9% | | 32,090 | 79.7% |
| FY 03 Actual | 26,226 | 2.6% | | 32,673 | 80.3% |
| FY 04 Actual (Base) | 26,828 | 2.3% | | 33,181 | 80.9% |
| FY 05 Actual | 26,322 | -1.9% | (506) | 32,763 | 80.3% |
| FY 06 Projected | 26,942 | 2.4% | 114 | 33,561 | 80.3% |
| FY 07 Projected | 27,175 | 0.9% | 347 | 33,857 | 80.3% |

* Data from the Office of the Commission of Higher Education (May 2005)

The Montana constitution grants the Board of Regents the power and responsibility to manage and govern the Montana University System, including exclusive authority to set tuition rates. While the legislature has the appropriation authority over state funding to the university system, the regents are responsible for establishing the overall budget necessary to fund postsecondary education in Montana. This responsibility includes generating sufficient revenues in addition to state funding to support the overall budget and mission of the university system. The largest source of funding for the cost of education is student tuition and the key factors that influence Regents' action regarding tuition rates are the available state funds appropriated by the legislature and the level of expenditures approved by the Regents to meet their definition of a quality postsecondary education.

At the May 2005 meeting of the Board of Regents tuition rates were approved for academic year 2005-06 and academic year 2006-07, those years included in the 2007 biennium state budget. Based upon the legislative budget for HB 2, the approved pay plan (HB 447), and including new campus-based initiatives approved by the Board of Regents (Investments in Quality), resident student tuition across all university educational units will increase an average of 8.6 percent per year. The following illustrates the average biennial tuition rate increases at each university educational unit for Montana resident students:

Four-Year Campus Programs:

- University of Montana – Missoula: 7.8 percent each year
- Montana State University – Bozeman: 12.0 percent each year
- Montana Tech – Butte: 12.0 percent each year
- Montana State University – Billings: 6.0 percent each year
- Montana State University – Northern: 7.5 percent each year
- Montana Western – Dillon: 7.0 percent each year

Two-Year Campus Programs:

- MSU Great Falls College of Technology: 3.1 percent each year
- UM Helena College of Technology: 4.0 percent each year
- Montana Tech College of Technology: 4.0 percent each year
- UM Missoula College of Technology: 4.0 percent each year
- MSU Billings College of Technology: 3.0 percent each year

Figure 13 below illustrates the history of tuition rates for the university education units since FY 1996.

| Figure 13 Annual Resident Undergraduate Student Tuition Rates Tuition Only - Mandatory Fees Not Included Fiscal Years 1996 - 2005 | | | | | | | | | |
|--|----------------|---------------|---------------|----------------|-----------------|-----------------|-------------------|--------------------|------------------------|
| Fiscal Year | UM Missoula | UM MT Tech | UM Western | MSU Bozeman | MSU Billings | MSU Northern | System Average | Annual % Change | Cumulative % Change |
| FY 1996 | 1,731 | 1,795 | 1,703 | 1,711 | 1,708 | 1,656 | \$1,717 | | |
| FY 1997 | 1,822 | 1,892 | 1,745 | 1,831 | 1,778 | 1,739 | \$1,801 | 4.89% | 4.89% |
| FY 1998 | 1,940 | 2,016 | 1,859 | 1,954 | 1,901 | 1,859 | \$1,922 | 6.68% | 11.89% |
| FY 1999 | 2,066 | 2,146 | 1,979 | 2,086 | 2,033 | 1,988 | \$2,050 | 6.67% | 19.35% |
| FY 2000 | 2,156 | 2,240 | 2,025 | 2,177 | 2,122 | 2,030 | \$2,125 | 3.67% | 23.73% |
| FY2001 | 2,250 | 2,337 | 2,072 | 2,272 | 2,214 | 2,072 | \$2,203 | 3.67% | 28.26% |
| FY 2002 | 2,543 | 2,641 | 2,267 | 2,567 | 2,502 | 2,262 | \$2,464 | 11.84% | 43.45% |
| FY 2003* | 2,873 | 2,984 | 2,483 | 2,900 | 2,827 | 2,472 | \$2,757 | 11.90% | 60.52% |
| FY 2004 | 3,125 | 3,343 | 2,700 | 3,256 | 3,168 | 2,769 | \$3,060 | 11.01% | 78.18% |
| FY2005 | 3,390 | 3,743 | 2,930 | 3,654 | 3,548 | 3,101 | \$3,394 | 10.92% | 97.64% |
| FY2006 ** | 3653 | 4193 | 3134 | 4106 | 3762 | 3335 | \$3,697 | 8.92% | 105.25% |
| FY2007 ** | 3936 | 4696 | 3355 | 4586 | 3988 | 3586 | \$4,025 | 8.85% | 109.43% |
| Average Annual Growth | 7.75% | 9.14% | 6.36% | 9.38% | 8.01% | 7.28% | 8.05% | | |
| *Not include tuition surcharge | | | | | | | | | |
| ** As approved by Board of Regents, May 2005 | | | | | | | | | |
| Source: OCHE /Board of Regents Annual Operating Budgets | | | | | | | | | |

Ongoing and Continuing Fiscal Challenges

Funding Formulas for the University Educational Units

During the 2005 legislative session, the Joint Appropriations Subcommittee on Education discussed and expressed concern about a number of the funding formulas that are used to develop the state budget for the university system, in particular the educational units. Two of these formulas include:

- The marginal cost per student formula is used to determine the amount of state funding appropriated to support student enrollment increases from one biennium to the next. This formula determines the present law adjustment to the budget to account for enrollment growth, a total of \$706,112 general fund in the 2007 biennium.
- The state percentage share of the cost of education formula is used to determine the amount of state funding appropriated to support all other present law adjustments at the university educational units. In the 2007 biennium this formula was used to determine \$11.5 million of general fund appropriations to the university units.

Both formulas, however, have a mathematical anomaly that has the effect of determining the state budget for the university system independent of legislative policy and decision-making. Specifically, each time that university tuition rates or enrollment levels increase during a base budget year, these increases mathematically drive the subsequent budget formula calculations downward as a function solely of mathematics rather than policy.

In the 2005 session, the legislature chose not to take formal action to address these formula concerns (such as an interim funding study), though the legislature requested that LFD staff carry these concerns forward to the appropriate interim committee.

For more information and detail about this topic, please refer to the LFD Budget Analysis, Volume 4, paged E-129 to E-131, January 2005.

Funding

The following table shows program funding, by source, for the base year and the 2007 biennium as appropriated by the legislature.

| | | Program Funding Table | | | | |
|-----------------|-----------------------------------|----------------------------|----------------------|-------------------|------------------------|-------------------|
| | | Appropriation Distribution | | | | |
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 |
| 01000 | Total General Fund | \$ 124,198,153 | 90.5% | \$ 133,313,785 | 90.3% | \$ 137,912,907 |
| | 01100 General Fund | 124,198,153 | 90.5% | 133,313,785 | 90.3% | 137,912,907 |
| 02000 | Total State Special Funds | 13,101,000 | 9.5% | 14,335,698 | 9.7% | 14,634,038 |
| | 02289 Bureau Of Mines Groundwater | 666,000 | 0.5% | 666,000 | 0.5% | 666,000 |
| | 02443 University Millage | 12,235,000 | 8.9% | 13,385,001 | 9.1% | 13,679,000 |
| | 02567 Rit Excess Corpus | - | - | 64,697 | 0.0% | 69,038 |

The university educational units and research/public service agencies affiliated with the university units are funded from the following revenue sources:

1. State general fund;
2. The statewide six-mill property tax levy that is appropriated for the support, maintenance, and improvement of the Montana university system (20-25-423, MCA). The legislature approved the six mill levy revenue projections in HJR 2;
3. State special revenue from fees associated with the motorcycle safety training program located at Montana State University – Northern, located in Havre (20-25-1000, MCA);
4. State special revenue from the groundwater assessment account, funded by statute from the interest earnings of the resource indemnity trust fund, which funds the groundwater assessment programs at the Bureau of Mines and Geology on the Montana Tech campus, located in Butte (85-2-905, MCA); and
5. Nonexpendable trust funds from the resource indemnity trust fund that were appropriated by the legislature in the 2007 biennium to provide one-time-only support for the groundwater assessment programs at the Bureau of Mines and Geology (see DP1, DP 2 and DP 3 below).

The fund for the university educational units are appropriated as part of the lump sum and are distributed by the Board of Regents using their cost of education state allocation formula. The legislature does not determine the funding level for each unit, but merely the total lump that the regents will distribute according to their funding formula. The appropriations for the research/public service agencies, however, are not part of the lump so that the state funding to each of these entities is precisely the appropriation approved by the legislature.

Figure 14 below illustrates the legislative budget for the 2007 biennium to each of the university educational units, the state share of present law funding adjustments to the research/public service agencies, and to specific programs and initiatives of special interest to the legislature.

Figure 14

Appropriation Distribution Program (09) -- 2007 Biennium Legislative Budget (HB 2 and HB 447)

| | FY 2004 | State Share | New | Legislative | State Share | New | Legislative | 2007 |
|---|---------------|-------------|-------------|---------------|-------------|--------------|---------------|---------------|
| | Base Year | Present Law | Proposals | Budget | Present Law | Proposals | Budget | Biennium |
| | | FY 2006 | FY 2006 | FY 2006 | FY 2007 | FY 2007 | FY 2007 | Total |
| Educational Units | | | | | | | | |
| UM - Missoula | \$37,818,253 | | | \$37,818,253 | | | \$37,818,253 | \$75,636,506 |
| MSU - Bozeman | 40,399,419 | | | 40,399,419 | | | 40,399,419 | 80,798,838 |
| UM - MT Tech | 8,967,311 | | | 8,967,311 | | | 8,967,311 | 17,934,622 |
| MSU - Billings | 14,306,972 | | | 14,306,972 | | | 14,306,972 | 28,613,944 |
| MSU - Northern | 6,763,838 | | | 6,763,838 | | | 6,763,838 | 13,527,676 |
| UM - Western | 4,136,087 | | | 4,136,087 | | | 4,136,087 | 8,272,174 |
| Great Falls COT | 3,398,184 | | | 3,398,184 | | | 3,398,184 | 6,796,368 |
| Helena COT | 2,263,794 | | | 2,263,794 | | | 2,263,794 | 4,527,588 |
| Resident Enrollment Growth | | 98,176 | | 98,176 | 607,936 | | 607,936 | 706,112 |
| Equalize Base Expenditures (SB 407) | | (2,750,000) | | (2,750,000) | (2,750,000) | | (2,750,000) | (5,500,000) |
| Statewide Present Law Adjustments | | 5,691,703 | | 5,691,703 | 4,687,092 | | 4,687,092 | 10,378,795 |
| All Other Present Law Adjustments | | 462,446 | | 462,446 | 662,916 | | 662,916 | 1,125,362 |
| Family Practice Residency Program | 319,366 | | | 319,366 | | | 319,366 | 638,732 |
| Dental Hygiene Program | 235,000 | | | 235,000 | | | 235,000 | 470,000 |
| Motorcycle Safety Program | 200,000 | 20,000 | | 220,000 | 20,000 | | 220,000 | 440,000 |
| MUS Marketing Initiative | 43,983 | | | 43,983 | | | 43,983 | 87,966 |
| Distance Learning Initiative | | | 300,000 | 300,000 | | | | 300,000 |
| 2-Yr. Degree Equipment/Prog. Develop. | | | 1,960,678 | 1,960,678 | | 2,500,000 | 2,500,000 | 4,460,678 |
| House Bill 447 (Pay Plan) Adjustment | - | - | 2,865,140 | 2,865,140 | - | 6,755,252 | 6,755,252 | 9,620,392 |
| Subtotal | \$118,852,207 | \$3,522,325 | \$5,125,818 | \$127,500,350 | \$3,227,944 | \$9,255,252 | \$131,335,403 | \$258,835,753 |
| Research/Public Service Agencies | | | | | | | | |
| Agriculture Experiment Station | \$10,079,958 | \$231,207 | \$0 | \$10,311,165 | \$241,163 | \$0 | \$10,321,121 | \$20,632,286 |
| Extension Services | 4,481,715 | 325,788 | 100,703 | 4,908,206 | 348,933 | 166,303 | 4,996,951 | 9,905,157 |
| Forest Conservation Exp. Station | 925,839 | 45,485 | - | 971,324 | 42,892 | - | 968,731 | 1,940,055 |
| Bureau of Mines | 2,247,899 | 39,392 | 136,697 | 2,423,988 | 35,479 | 143,918 | 2,427,296 | 4,851,284 |
| Firs Services Training School | 511,535 | 70,480 | - | 582,015 | 68,475 | - | 580,010 | 1,162,025 |
| Yellow Bay Biological Station | | | 100,000 | 100,000 | | 100,000 | 100,000 | 200,000 |
| AES Biohased Institute | 200,000 | | | 200,000 | | | 200,000 | 400,000 |
| House Bill 447 (Pay Plan) Adjustment | - | - | 652,435 | 652,435 | - | 1,617,433 | 1,617,433 | 2,269,868 |
| Subtotal | \$18,446,946 | \$712,352 | \$989,835 | \$20,149,133 | \$736,942 | \$2,027,654 | \$21,211,542 | \$41,360,675 |
| Grand Total Program (09) | \$137,299,153 | \$4,234,677 | \$6,115,653 | \$147,649,483 | \$3,964,886 | \$11,282,906 | \$152,546,945 | \$300,196,428 |

In addition to state funding, the university educational units fund the operational cost of education to students with revenue from student tuition and interest earnings (collectively these three revenue sources comprise the current unrestricted operating fund).

Coming into the 2007 biennium, the legislative budget for the FY 2004 base funded an average of 43 percent of the cost of education for the university educational units with state general fund and six-mill levy revenue, student tuition funded the remaining 57 percent. Over the entire 2005 biennium, however, state funding accounts for 41.5 percent of the cost of education while student tuition covers 58.5 percent.

At the conclusion of the 2005 legislative session, according to the 2007 biennium operating budget for the university system, state funding in the legislative budget for HB 2 and HB 447 (the pay plan) supports 40 percent of the cost of education for the university units. This includes only current level expenditures, annual present law adjustments, and the costs associated with the pay plan. When new programs approved by the Board of Regents are included in the calculation (the Board of Regents' \$12.7 million Investments in Quality), state funding for the cost of education at the university units is at approximately 39.1 percent.

Figure 15

Montana University System Educational Units
2005 and 2007 Biennium Budget Comparison

| | 2005 | 2007 | 2007 | 2007 | | |
|-------------------------|---------------|----------------|-----------------|---------------|---------------|----------|
| | Biennium | Biennium | Regents Tuition | Biennium | Biennial | Biennial |
| | Base (1) | HB 2/HB 447 | (2) | Total | Change \$\$ | Change % |
| Biennial Budgets | | | | | | |
| State Funds | \$232,538,089 | \$ 258,835,753 | | \$258,835,753 | \$ 26,297,664 | 11.3% |
| University Funds | 327,319,519 | 18,168,866 | 385,164,805 | 403,333,671 | 76,014,152 | 23.2% |
| Total | \$559,857,608 | \$ 277,004,619 | \$ 385,164,805 | \$662,169,424 | \$102,311,816 | 18.3% |
| Percent of Total | | | | | | |
| State Funds | | 41.5% | | 39.1% | | |
| University Funds | | 58.5% | | 60.9% | | |
| Total | | 100.0% | | 100.0% | | |

(1) FY 2004 actual plus FY 2005 budgeted operating budget - See OCHE Schedules 10 & 16

(2) Projected tuition from Board of Regents that is in addition to the tuition estimate included in HB 447

Therefore, there is a 2.4 percent decrease in the state percentage share of funding for the university educational units. Figure 15 illustrates the biennium comparison of the funding levels to support the university educational units in the 2005 and the 2007 biennium budgets.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|---|--------------|---------------|-----------------|-------------|-------------|--------------|---------------|-----------------|-------------|-------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds | |
| | | | | | | | | | | |
| DP 40 - Statewide Present Law Adjusts - Educational Units | 0.00 | 5,691,703 | 0 | 0 | 5,691,703 | 0.00 | 4,687,092 | 0 | 0 | 4,687,092 |
| DP 41 - Base Year Equalization Adjustment - SB 407 | 0.00 | (2,750,000) | 0 | 0 | (2,750,000) | 0.00 | (2,750,000) | 0 | 0 | (2,750,000) |
| DP 42 - Increase in O&M for New Space | 0.00 | 86,097 | 0 | 0 | 86,097 | 0.00 | 115,641 | 0 | 0 | 115,641 |
| DP 43 - Increased IT License and Maintenance | 0.00 | 108,977 | 0 | 0 | 108,977 | 0.00 | 189,235 | 0 | 0 | 189,235 |
| DP 44 - Resident Enrollment Growth - MUS Educational Units | 0.00 | 98,176 | 0 | 0 | 98,176 | 0.00 | 607,936 | 0 | 0 | 607,936 |
| DP 45 - Water, Sewer, Elevator and Small Misc. | 0.00 | 198,917 | 0 | 0 | 198,917 | 0.00 | 263,854 | 0 | 0 | 263,854 |
| DP 46 - Statewide Present Law Adjusts - Bureau of Mines | 0.00 | 29,392 | 0 | 0 | 29,392 | 0.00 | 25,479 | 0 | 0 | 25,479 |
| DP 49 - Off Campus Rental Increases - Educational Units | 0.00 | 68,455 | 0 | 0 | 68,455 | 0.00 | 94,186 | 0 | 0 | 94,186 |
| DP 61 - Statewide Present Law Adjusts - Extension Service | 0.00 | 195,626 | 0 | 0 | 195,626 | 0.00 | 207,785 | 0 | 0 | 207,785 |
| DP 62 - Statewide Present Law Adjusts - AES | 0.00 | 192,788 | 0 | 0 | 192,788 | 0.00 | 183,933 | 0 | 0 | 183,933 |
| DP 63 - Statewide Present Law Adjusts - FCES | 0.00 | 45,485 | 0 | 0 | 45,485 | 0.00 | 42,892 | 0 | 0 | 42,892 |
| DP 64 - Statewide Present Law Adjusts - FSTS | 0.00 | 45,389 | 0 | 0 | 45,389 | 0.00 | 43,311 | 0 | 0 | 43,311 |
| DP 66 - Increase Overhead Cost for Campus Support | 0.00 | 92,970 | 0 | 0 | 92,970 | 0.00 | 122,112 | 0 | 0 | 122,112 |
| DP 68 - New Space - Fire Service Training School (FSTS) | 0.00 | 24,256 | 0 | 0 | 24,256 | 0.00 | 24,984 | 0 | 0 | 24,984 |
| DP 82 - Extension Service - Payroll Benes & Insurance Adjusts | 0.00 | 86,446 | 0 | 0 | 86,446 | 0.00 | 86,446 | 0 | 0 | 86,446 |
| DP 98 - Motorcycle Safety Training Adjust Revenue Estimate | 0.00 | 0 | 20,000 | 0 | 20,000 | 0.00 | 0 | 20,000 | 0 | 20,000 |
| | | | | | | | | | | |
| Total Other Present Law Adjustments | 0.00 | \$4,214,677 | \$20,000 | \$0 | \$4,234,677 | 0.00 | \$3,944,886 | \$20,000 | \$0 | \$3,964,886 |
| | | | | | | | | | | |
| Grand Total All Present Law Adjustments | | | | | \$4,234,677 | | | | | \$3,964,886 |

DP 40 - Statewide Present Law Adjusts - Educational Units - The legislature applied statewide present law adjustments for the educational units in the 2007 biennium, funding the state share of these adjustments at \$10.4 million general fund.

DP 41 - Base Year Equalization Adjustment - SB 407 - The legislature reduced general fund to the educational units by \$2,750,000 per year to equalize state support in the base year. HB 2 from the 2005 biennium provided a \$5.5 million biennial appropriation to the Educational Units contingent on SB 407 (income tax reduction with revenue from limited sales tax), which was all expended in the base year, requiring this base year equalization package in the 2007 biennium.

DP 42 - Increase in O&M for New Space - The legislature approved \$202,000 general fund in the 2007 biennium to fund the state share calculation of increased operations and maintenance costs for new space coming online at MSU Northern (an applied technology center classroom/lab building) and at UM-Missoula (chemistry building renovations).

DP 43 - Increased IT License and Maintenance - The legislature approved \$298,000 general fund in the 2007 biennium to fund the state share calculation of increased information technology licenses and maintenance costs at MSU-Bozeman, UM-Missoula, MSU-Billings, Montana Tech, UM-Western, and the Helena College of Technology.

DP 44 - Resident Enrollment Growth - MUS Educational Units - The legislature increased general fund by \$706,000 in the 2007 biennium to support projected resident enrollment growth at the university educational units.

DP 45 - Water, Sewer, Elevator and Small Misc. - The legislature approved \$463,000 general fund to the 2007 biennium budget as an adjustment to increase the state share for water, sewer, and other small miscellaneous items at the educational units.

DP 46 - Statewide Present Law Adjusts - Bureau of Mines - The legislature applied statewide present law adjustments for the Bureau in the 2007 biennium, funding the state share of these adjustments at \$55,000 general fund.

DP 49 - Off Campus Rental Increases - Educational Units - The legislature approved \$163,000 general fund in the 2007 biennium for the state share of increased off campus rental costs at MSU-Bozeman and the Helena College of Technology.

DP 61 - Statewide Present Law Adjusts - Extension Service - The legislature applied statewide present law adjustments for the Extension Service in the 2007 biennium, funding the state share of these adjustments at \$403,000 general fund.

DP 62 - Statewide Present Law Adjusts - AES - The legislature applied statewide present law adjustments for the AES in the 2007 biennium, funding the state share at \$377,000 general fund.

DP 63 - Statewide Present Law Adjusts - FCES - The legislature applied statewide present law adjustments for the FCES in the 2007 biennium, funding the state share of these adjustments at \$88,000 general fund.

DP 64 - Statewide Present Law Adjusts - FSTS - The legislature applied statewide present law adjustments for the fire services training school for the 2007 biennium, adding \$89,000 general fund.

DP 66 - Increase Overhead Cost for Campus Support - The legislature approved adjustment of \$215,082 general fund in the 2007 biennium for the state portion of increased overhead costs allocated from educational units to the research agencies. The biennial amount of the increase is Agriculture Experiment Station \$95,649; Extension Service \$98,418; Fire Services Training School \$1,015; and the Bureau of Mines \$20,000.

DP 68 - New Space - Fire Service Training School (FSTS) - The legislature approved \$49,240 general fund in the 2007 biennium to support the state costs for increased rent at the FSTS caused by the move off the Great Falls College of Technology campus.

DP 82 - Extension Service - Payroll Benes. & Insurance Adjusts - The legislature approved \$173,000 general fund in the 2007 biennium to fund adjustments to the state share of payroll benefits and medical insurance at the Extension Service.

DP 98 - Motorcycle Safety Training Adjust Revenue Estimate - The legislature approved \$40,000 state special revenue in the 2007 biennium to fund the motorcycle safety-training program (located at MSU-Northern in Havre) at the funding level requested by the program director.

New Proposals

| New Proposals | | | | | | | | | | |
|---|-------------|--------------------|-----------------|-----------------|--------------------|-------------|---------------------|-----------------|-----------------|---------------------|
| Program | FTE | Fiscal 2006 | | | | FTE | Fiscal 2007 | | | |
| | | General Fund | State Special | Federal Special | Total Funds | | General Fund | State Special | Federal Special | Total Funds |
| DP 1 - Pay Plan Adjustment for Bureau of Mines - OTO | | | | | | | | | | |
| 09 | 0.00 | 0 | 15,248 | 0 | 15,248 | 0.00 | 0 | 19,589 | 0 | 19,589 |
| DP 2 - Travel and Field Activity - OTO | | | | | | | | | | |
| 09 | 0.00 | 0 | 16,449 | 0 | 16,449 | 0.00 | 0 | 16,449 | 0 | 16,449 |
| DP 3 - Purchase of Water-level Recorder Equipment - OTO | | | | | | | | | | |
| 09 | 0.00 | 0 | 33,000 | 0 | 33,000 | 0.00 | 0 | 33,000 | 0 | 33,000 |
| DP 8 - Extension Cropping Specialist | | | | | | | | | | |
| 09 | 0.00 | 0 | 0 | 0 | 0 | 0.00 | 65,600 | 0 | 0 | 65,600 |
| DP 16 - Livestock Specialist | | | | | | | | | | |
| 09 | 0.00 | 65,600 | 0 | 0 | 65,600 | 0.00 | 65,600 | 0 | 0 | 65,600 |
| DP 69 - Coal and Coalbed-Methane Technology Program | | | | | | | | | | |
| 09 | 0.00 | 72,000 | 0 | 0 | 72,000 | 0.00 | 74,880 | 0 | 0 | 74,880 |
| DP 78 - Equipment/Program Development - 2 Yr Programs-OTO | | | | | | | | | | |
| 09 | 0.00 | 1,960,678 | 0 | 0 | 1,960,678 | 0.00 | 2,500,000 | 0 | 0 | 2,500,000 |
| DP 1011 - Distance Learning Initiative - OTO | | | | | | | | | | |
| 09 | 0.00 | 300,000 | 0 | 0 | 300,000 | 0.00 | 0 | 0 | 0 | 0 |
| DP 1012 - Yellow Bay Biological Station - Restricted | | | | | | | | | | |
| 09 | 0.00 | 100,000 | 0 | 0 | 100,000 | 0.00 | 100,000 | 0 | 0 | 100,000 |
| DP 1030 - New Extension Agent for Meagher County | | | | | | | | | | |
| 09 | 0.00 | 35,103 | 0 | 0 | 35,103 | 0.00 | 35,103 | 0 | 0 | 35,103 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 09 | 0.00 | 3,517,575 | 0 | 0 | 3,517,575 | 0.00 | 8,372,685 | 0 | 0 | 8,372,685 |
| Total | 0.00 | \$6,050,956 | \$64,697 | \$0 | \$6,115,653 | 0.00 | \$11,213,868 | \$69,038 | \$0 | \$11,282,906 |

DP 1 - Pay Plan Adjustment for Bureau of Mines - OTO - The legislature approved \$34,837 one-time-only funding for the Bureau of Mines from the Resource Indemnity Trust Fund (representing a portion of the surplus funds reverted to the RIT Fund from the bureau account) in the 2007 biennium to support pay plan adjustments for staff in the groundwater assessment program. These funds will be transferred from the trust fund into a state special revenue account to accommodate this appropriation.

DP 2 - Travel and Field Activity - OTO - The legislature approved \$32,898 one-time-only funding to the Bureau of Mines from the Resource Indemnity Trust Fund (representing a portion of the surplus funds reverted to the RIT Fund from the bureau account) in the 2007 biennium to support increases in travel costs by groundwater assessment and monitor staff. These funds will be transferred from the trust fund into a state special revenue account to accommodate this appropriation.

DP 3 - Purchase of Water-level Recorder Equipment - OTO - The legislature approved \$66,000 one-time-only funding to the Bureau of Mines from the Resource Indemnity Trust Fund (representing a portion of the surplus funds reverted to the RIT Fund from the bureau account) in the 2007 biennium to support the purchase of equipment for the water-level recorders in the groundwater assessment program. These funds will be transferred from the trust fund into a state special revenue account to accommodate this appropriation.

DP 8 - Extension Cropping Specialist - The legislature approved \$65,600 general fund in the 2007 biennium to support an extension cropping systems specialist position that will integrate with existing Agricultural Experiment Station and College of Agriculture faculty, including cropping systems research/on-campus teaching, weed management, and others. This appropriation must be matched with \$16,400 from non-state funds identified by the Board of Regents.

DP 16 - Livestock Specialist - The legislature approved \$131,200 general fund to support an extension livestock specialist position that will provide increased educational assistance to help further improve this industry by enhancing reproductive efficiency, food safety and animal identification of non-productive animals. This appropriation must be matched with \$32,800 from non-state funds identified by the Board of Regents.

DP 69 - Coal and Coalbed-Methane Technology Program - The legislature approved \$146,880 general fund in the 2007 biennium to support a coal geologist position at the Bureau of Mines for the purpose of continuing to assist industry and regulators in the responsible development of coal and coalbed methane. This appropriation must be matched with \$36,720 from non-state funds identified by the Board of Regents.

DP 78 - Equipment/Program Development - 2 Yr Programs-OTO - The legislature approved a restricted, biennial, one-time-only appropriation of \$4.46 million general fund in the 2007 biennium to fund the purchase and update of equipment and program development for two-year degree programs that is to be distributed in two blocks as follows: (1) \$1.4 million must be allocated equally (\$200,000 per unit) to the seven university units' 2-year degree programs to be used for either program development or equipment acquisition; and (2) \$3.06 million must be distributed entirely by a competitive grant process administered by the Office of the Commissioner of Higher Education. These equipment grants will be available to both the seven university units' 2-year degree programs and the three community colleges (Dawson, Miles, and Flathead Valley). The equipment portion of this appropriation must be matched from non-state funds identified by the Board of Regents.

DP 1011 - Distance Learning Initiative - OTO - The legislature approved \$300,000 general fund in the 2007 biennium to support the development and implementation of a statewide distance learning plan across the university system and partnering with education providers at all levels. This was approved as a biennial, one-time-only appropriation.

DP 1012 - Yellow Bay Biological Station - Restricted - The legislature approved \$100,000 general fund in each fiscal year, for a biennial total of \$200,000 general fund, to support the Yellow Bay Biological Station of the University of Montana. This appropriation is restricted for the support of lab work associated with the Flathead Basin water quality monitoring.

DP 1030 - New Extension Agent for Meagher County - The legislature approved \$70,206 general fund for the 2007 biennium to pay the state share of funding for a new extension service agent for Meagher County. The funding for this position will be matched in part by Meagher County funding, estimated at \$32,144 for the biennium. This appropriation is contingent upon approval by Meagher County (through a mill levy vote) of the matching funds. Should the mill levy vote fail, these funds will not be appropriated.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund the pay plan, as allocated to the university units and the research/public service agencies illustrated below in Figure 16.

| Figure 16 University Educational Units and Research/Public Service Agencies 2007 Biennium HB 447 Pay Plan Allocation (DP 6010) | | | | | | | |
|--|------------------------------------|--------------------------------------|----------------------|--|-----------------------------------|------------------------------------|---------------------|
| | University Educational Units | Agriculture Experiment Station | Extension Service | Forest Conservation Exp. Station | Bureau of Mines and Geology | Fire Service Training School | Total |
| FY 2006 Funding | \$2,865,140 | \$364,222 | \$204,637 | \$21,671 | \$45,628 | \$16,277 | \$3,517,575 |
| FY 2007 Funding | 6,755,252 | 902,278 | 507,171 | 54,812 | 112,890 | 40,282 | 8,372,685 |
| Total Funding | <u>\$9,620,392</u> | <u>\$1,266,500</u> | <u>\$711,808</u> | <u>\$76,483</u> | <u>\$158,518</u> | <u>\$56,559</u> | <u>\$11,890,260</u> |

Other Legislation

HJR 36 - The legislature approved a resolution to conduct an interim study that may affect the statutory funding allocation of state special revenue from the Resource Indemnity Trust Fund (RIT). The Bureau of Mines and Geology (bureau) at the University of Montana Tech in Butte receives an annual appropriation of \$666,000, in part from RIT revenue (in accordance with 15-38-202, MCA and 85-2-905, MCA). These funds support the statewide groundwater assessment program at the bureau.

During the 2005 session, the legislature expressed concern that the \$666,000 statutory allocation to the bureau has not changed since 1999, despite increased responsibilities and costs. Therefore, a one-time-only appropriation of \$133,735 over the biennium was approved by the legislature, from excess RIT funds, to support cost increases in the bureau's groundwater assessment programs.

Now that the RIT has reached its statutory cap of \$100 million, this study will likely consider the funding allocation formula and adjustments as they relate to program expenditures and other needs. This study, therefore, is likely to have a budgetary impact upon future funding and budgets for the Bureau of Mines and Geology.

HB 522 - The legislature approved legislation to provide funding to the Board of Regents so that Montana State University (MSU) may conduct a study on the feasibility of entering into an agreement with the University of Washington whereby Montana students who are accepted to the University of Washington dental school would complete their first year of dental education at MSU Bozeman, before transferring to the Washington campus.

One of the goals of such a program would be to increase the number of dental professionals practicing in Montana. The legislature approved \$5,000 each year of the 2007 biennium to support the study and have required that a report on the study results be made to the legislature by January 1, 2007.

SB 445 - The legislature approved adding membership in the Montana National Guard as an eligibility status on the list that authorizes the Board of Regents to waive tuition for attending educational units of the Montana University System (20-25-421, MCA). SB 445 authorizes up to 5,000 credit hours of tuition waivers each academic year for National Guard members and improves the standing of guard membership on the eligibility list by removing language that only allows these waivers "if funds are available". The legislature does not require that waivers be granted and the discretion is left to the Board of Regents, who is not obligated to expend the funds for this list of waiver categories.

HJR 42 - The legislature approved an interim study of how state public employee retirement funds are invested, which is also intended to determine the actuarial soundness of these funds and whether the employer's funding obligation toward these funds should be increased. This study is to be completed in time for consideration of legislative action at the planned December 2005 special session. In anticipation of special session legislation that may require additional funding for the retirement plan, the Montana University System has set aside approximately \$800,000 per year in the 2007 biennium to be used to make their portion of the retirement fund actuarially sound.

Language

The legislature approved the following language for inclusion in HB 2:

The legislature approved language to identify the types and amounts of other revenue that is anticipated to support the general operating budgets of the educational units, but are not included in HB 2 appropriations:

"Revenue anticipated to be received by the Montana university system units and colleges of technology includes:

- (1) interest earnings of \$791,274 each year of the 2007 biennium; and
- (2) other revenue of \$1,301,198 each year of the 2007 biennium.

These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in OCHE -- Appropriation Distribution Transfers."

The legislature approved the following language in order to define the general fund reversion requirements should university unit enrollment projections fall short:

“The general fund and millage appropriation in OCHE -- Appropriation Distribution Transfers is calculated to fund education in the 4-year units and the colleges of technology for an estimated 26,918 resident student FTE students in fiscal year 2006 and 27,188 resident students in fiscal year 2007. If actual resident student enrollment is greater than the estimated number for the biennium, the university system shall serve the additional students without a state general fund contribution. If actual resident enrollment is less the estimated number for the biennium, the commissioner of higher education shall revert general fund money to the state in accordance with 17-7-142.”

The legislature approved the following language to clarify the cost of the legislative audit that is required in the 2007 biennium:

“Total audit costs are estimated to be \$544,376 for the university system educational units, other than the office of the commissioner of higher education. Each unit shall pay a percentage of these costs from funds other than those appropriated in OCHE -- Appropriation Distribution Transfers.”

The legislature approved the following language that directs a transfer from the university system budget to pay debt service costs on general obligation bonds to fund energy efficiency improvements on campus buildings:

“OCHE -- Appropriation Distribution Transfers includes \$817,960 for the 2007 biennium that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program. The costs of this transfer in each year of the biennium are: university of Montana-Missoula, \$126,400 in fiscal year 2006 and \$88,800 in fiscal year 2007; Montana tech of the university of Montana, \$28,000 in fiscal year 2006; Montana state university-northern, \$101,000 in fiscal year 2006 and \$67,000 in fiscal year 2007; Montana state university-Bozeman \$58,000 in fiscal year 2006; Montana state university-Billings, \$133,500 in fiscal year 2006 and \$105,500 in fiscal year 2007; and western Montana college of the university of Montana, \$12,410 in fiscal year 2006 and \$11,350 in fiscal year 2007.”

The legislature approved the following language directing the university system to pay support costs for the Montana natural resource information system:

“The Montana university system shall pay \$88,506 for the 2007 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.”

The legislature approved language to identify the types and amounts of other revenue that is anticipated to support the general operating budgets of the several research/public service agencies, but are not included in HB 2 appropriations:

“Revenue anticipated to be received by the agricultural experiment station includes:

- (1) interest earnings and other revenue of \$60,308 each year of the 2007 biennium;
- (2) federal revenue of \$1,992,807 in fiscal year 2006 and \$1,992,807 in fiscal year 2007; and
- (3) sales revenue of \$1 million in fiscal year 2006 and \$1 million in fiscal year 2007.”

“Revenue anticipated to be received by the extension service includes:

- (1) interest earnings of \$5,034 each year of the 2007 biennium; and
- (2) federal revenue of \$2,254,555 in fiscal year 2006 and \$2,254,555 in fiscal year 2007.”

“Anticipated interest revenue of \$1,070 in each year of the 2007 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.”

"Anticipated sales revenue of \$35,700 each year of the 2007 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers."

"Anticipated interest revenue of \$943 each year of the 2007 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers."

The legislature approved the following language in order to restrict the allocation formula and grant distribution procedures for the Equipment/Program Development appropriation for 2-year degree programs:

"The appropriation for Equipment/Program Development 2-Yr Degree Programs is a restricted, biennial, one-time-only (OTO) appropriation that is to be distributed in two blocks as follows:

(1) \$1.4 million must be allocated equally (\$200,000 per unit) to the seven university units' 2-year degree programs to be used for either program development or equipment acquisition; and

(2) \$3,060,678 must be distributed entirely by a competitive grant process administered by the office of the commissioner of higher education. These equipment grants must be available to both the seven university units' 2-year degree programs and the three community colleges (Dawson, Miles, and Flathead Valley)."

"The \$3,060,678 general fund appropriation for equipment in Equipment/Program Development 2-Yr Degree Programs must be matched from nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education, must give scoring priority to grants that include matching funds. Matching funds may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source."

The legislature approved the following language in order to create a contingency appropriation of general fund in the event that the tax reform measures contained in SB 284 were passed and approved. If SB 284 fails, the six-mill levy state special revenue appropriation is to be restored:

"Class 8 Threshold - Business Tax Exemption funding is contingent upon passage and approval of Senate Bill No. 284."

"Funding for OCHE -- Appropriation Distribution Transfers is increased by \$11,610 in state special revenue in fiscal year 2006 and by \$30,889 in state special revenue in fiscal year 2007 if Senate Bill No. 284 is not passed and approved."

The legislature approved the following language in order to obligate the excess revenue in the Resource Indemnity Trust Fund (the amount above the trust cap) for the groundwater assessment program at the Bureau of Mines and Geology:

"At the beginning of fiscal year 2006, \$133,735 of the amount in excess of \$100 million is transferred from the resource indemnity tax trust to the state special revenue fund for the Bureau Ground Water Program."

The legislature approved the following language in order to define the matching funds obligation of the appropriations to the Extension Service and the Bureau of Mines and Geology:

"Extension Service includes \$196,800 in general fund money for an extension cropping specialist and livestock specialist (2 FTE), which must be matched with \$49,200 in nonstate funds identified by the board of regents; Bureau of Mines and Geology includes \$146,880 in general fund money for a coal/coalbed methane geologist (1 FTE), which must be matched with \$36,720 in nonstate funds identified by the board of regents. Matched funds for these items may include federal funding revenue, private funding revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment, cost reductions offered for purchased equipment, or space to house

equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source."

The legislature approved the following language to create a contingency that the general fund appropriation for the new Meagher County Extension Agent shall only be made if the county mill levy to support the position is approved by the voters:

"New Extension Agent for Meagher County funding is contingent upon approval of a mill levy vote in Meagher County to approve the county matching funds for the new extension agent."

The legislature approved the following language in order to restrict the appropriation for the Yellow Bay Biological Station to a specific use:

"Yellow Bay Biological Station is restricted to laboratory work associated with Flathead basin water quality monitoring."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Grants | 0 | 96,500 | 1,803,500 | 1,900,000 | 0 | 1,000,000 | 1,000,000 | 2,900,000 |
| Total Costs | \$0 | \$96,500 | \$1,803,500 | \$1,900,000 | \$0 | \$1,000,000 | \$1,000,000 | \$2,900,000 |
| General Fund | 0 | 96,500 | 1,803,500 | 1,900,000 | 0 | 1,000,000 | 1,000,000 | 2,900,000 |
| Total Funds | \$0 | \$96,500 | \$1,803,500 | \$1,900,000 | \$0 | \$1,000,000 | \$1,000,000 | \$2,900,000 |

Program Description

The Tribal College Assistance Program provides funding to support a portion of the costs of educating resident non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on Reservations in Montana.

Program Highlights

| Tribal College Assistance Program Major Budget Highlights | |
|---|--|
| <ul style="list-style-type: none"> ◆ The legislature approved \$2.8 million additional general fund for tribal college assistance in the 2007 biennium as follows: <ul style="list-style-type: none"> • \$2.0 million one-time-only funding to support equipment acquisition and for a compilation of tribal histories to support Indian Education for All programs • \$500,000 one-time-only funding for additional support of non-beneficiary students attending tribal colleges • \$303,500 to increase the biennial base funding for non-beneficiary student assistance up to a total of \$400,000 (base funding was reestablished at \$96,500 in present law adjustments) | |

Program Narrative

Section 20-25-428, MCA, requires the Board of Regents to provide assistance to tribal colleges if the legislature specifically appropriates the funds, up to a maximum of \$3,024 per year for each resident non-beneficiary student FTE (see Other Legislation section below for a discussion of the 2005 session changes in HB 16 to the statutory maximum support level). The statute does not establish a minimum appropriation level.

- Since FY 1996, the Office of the Commissioner of Higher Education reports that tribal community college enrollment in Montana has averaged approximately 311 resident non-beneficiary FTE students per year
- Tribal community colleges, under federal jurisdiction to provide a higher education for tribal members, receive no federal funding assistance to support the education costs for non-beneficiary Montana students
- Tribal community colleges are not required to offer admission to Montana resident non-beneficiary students
- Under 20-25-428, MCA, the legislature has funded tribal college assistance at:
 - \$1.4 million appropriation in the 1997 biennium
 - No appropriation in the 1999 biennium
 - \$0.8 million appropriation in the 2001 biennium
 - \$0.0965 million appropriation in the 2003 biennium

- \$0.0965 million appropriation in the 2005 biennium
- The seven accredited tribal community colleges in Montana, as federal government and reservation institutions, are not subject to governance or control by either the Board of Regents or the legislature

Funding

Funding for the Tribal College Assistance Program is entirely general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|--------------|---------------|-----------------|-------------|--|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 28 - Reestablish Non-beneficiary Student Base Appropriation | | | | | | | | | | |
| 0.00 | 96,500 | 0 | 0 | 96,500 | | 0.00 | 0 | 0 | 0 | 0 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| 0.00 | \$96,500 | \$0 | \$0 | \$96,500 | | 0.00 | \$0 | \$0 | \$0 | \$0 |
| Grand Total All Present Law Adjustments | | | | \$96,500 | | | | | | |

DP 28 – Reestablish Non-beneficiary Student Base Appropriation - The legislature reestablished the 2005 biennium base appropriation for state support for resident non-beneficiary students at tribal community colleges. The \$96,500 biennial appropriation was expended in fiscal 2005 and therefore not included in the 2007 biennium expenditure base (FY 2004).

New Proposals

| New Proposals | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|-------------|-----------------------|--------------|---------------|-----------------|-------------|
| -----Fiscal 2006----- | | | | | | -----Fiscal 2007----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 103 - Increase Non-Beneficiary Student Assistance | | | | | | | | | | |
| 11 | 0.00 | 303,500 | 0 | 0 | 303,500 | 0.00 | 0 | 0 | 0 | 0 |
| DP 104 - Enhancing Tribal Colleges Programs - OTO | | | | | | | | | | |
| 11 | 0.00 | 1,000,000 | 0 | 0 | 1,000,000 | 0.00 | 1,000,000 | 0 | 0 | 1,000,000 |
| DP 1002 - Special Non-Beneficiary Student Assistance - OTO | | | | | | | | | | |
| 11 | 0.00 | 500,000 | 0 | 0 | 500,000 | 0.00 | 0 | 0 | 0 | 0 |
| Total | 0.00 | \$1,803,500 | \$0 | \$0 | \$1,803,500 | 0.00 | \$1,000,000 | \$0 | \$0 | \$1,000,000 |

DP 103 - Increase Non-Beneficiary Student Assistance - The legislature increased tribal college assistance \$303,500 over the biennium to support resident non-beneficiary students who attend any of the seven tribal community colleges in Montana, in accordance with 20-25-428 MCA.

DP 104 - Enhancing Tribal Colleges Programs - OTO - The legislature approved \$2.0 million in the 2007 biennium to support tribal colleges, specifically for equipment needs and to support efforts at each college to detail tribal history for use by the State of Montana in meeting the constitutional and statutory obligations related to the Indian Education for All program in K-12 education. This appropriation is to be distributed equally among the seven tribal colleges. The legislature approved this as a biennial, one-time-only (OTO) appropriation.

DP 1002 - Special Non-Beneficiary Student Assistance - OTO - The legislature approved \$500,000 general fund in the 2007 biennium as a special increase for non-beneficiary student assistance to the tribal colleges, in accordance with 20-25-428, MCA. The legislature approved this as a biennial, one-time-only appropriation.

Other Legislation

HB 16 - The legislature approved an increase to the state statutory funding limit for supporting non-beneficiary students attending tribal community colleges, amending 20-25-428, MCA. The limit was raised from \$1,500 per year for each student to \$3,024 per year. This allocation remains at the discretion of the legislature and there is no minimum allocation defined in the statute, only a maximum amount. HB 16 also limits assistance to those non-beneficiary students enrolled in courses that may be transferred for credit to other Montana University System educational units, unless the courses are directly related to a vocational degree program or to a 2-year or 4-year degree program or certificate program.

Language

The legislature approved the following language to require that an accountability report be prepared for the subsequent legislature regarding the use of the one-time-only special funding for equipment and tribal history (DP 104 from "New Proposals" above). The Governor has indicated his intent to line-item veto the language illustrated below. However, his authority to do so is questioned and may be challenged through legal action:

"Enhancing Tribal College Programs includes a requirement that the tribal colleges, through the commissioner of higher education, submit a report to the legislative finance committee by November 1, 2006 on the use of these funds and the status of the equipment and tribal history requirement as part of Indian education for all."

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|----------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 49.20 | 0.00 | 8.00 | 57.20 | 0.00 | 8.00 | 57.20 | 57.20 |
| Personal Services | 1,931,167 | (78,012) | 396,477 | 2,249,632 | (77,021) | 511,435 | 2,365,581 | 4,615,213 |
| Operating Expenses | 3,113,126 | 51,642 | 500,000 | 3,664,768 | 61,934 | 500,000 | 3,675,060 | 7,339,828 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits & Claims | 19,921,785 | 8,936,000 | 0 | 28,857,785 | 11,170,000 | 0 | 31,091,785 | 59,949,570 |
| Transfers | 72,550 | 0 | 0 | 72,550 | 0 | 0 | 72,550 | 145,100 |
| Total Costs | \$25,038,628 | \$8,909,630 | \$896,477 | \$34,844,735 | \$11,154,913 | \$1,011,435 | \$37,204,976 | \$72,049,711 |
| Federal Special | 25,038,628 | 8,909,630 | 896,477 | 34,844,735 | 11,154,913 | 1,011,435 | 37,204,976 | 72,049,711 |
| Total Funds | \$25,038,628 | \$8,909,630 | \$896,477 | \$34,844,735 | \$11,154,913 | \$1,011,435 | \$37,204,976 | \$72,049,711 |

Program Description

The Montana Guaranteed Student Loan Program (GSL) operates under federal regulation with federal funds to guarantee student loans that are made by private lenders to Montana higher education students. GSL purchases and services student loans that are in default, works with students to prevent default, collects the outstanding balance from the defaulted loans for repayment to the US Department of Education, and provides training and technical assistance to schools and lenders. In addition to servicing the loans, the GSL program also provides counseling and assistance to students in an effort to prevent loan defaults. The Montana Guaranteed Student Loan program is authorized under Title 20, Chapter 26, MCA.

Program Highlights

| Guaranteed Student Loan Program Major Budget Highlights |
|--|
| <ul style="list-style-type: none">◆ The legislature increased federal funding authority for the Guaranteed Student Loan program by \$20 million in the 2007 biennium as follows:<ul style="list-style-type: none">• \$18 million to purchase defaulted student loans from private lenders• \$2.1 million to repay the US Department of Education the federal share of funds collected from defaulted student loans◆ The legislature also added 8.00 new FTE and expanded default reduction programs, funded with \$1.6 million of additional federal revenue |

Program Narrative

Starting in 1979, the Montana Board of Regents accepted responsibility to serve as the “guarantor” of the funds private lenders would loan to Montana students under the federal student loan program. Without a government entity serving as guarantor, there would be little incentive for private lenders to make student loans to young people who typically have a high-risk profile (based upon age, income status, length of employment, and their intention to be full-time students). Therefore, the Board of Regents created the Guaranteed Student Loan (GSL) program and agreed that they would purchase defaulted student loans from private lenders and take responsibility for collecting on these loans.

The legislature approved significant funding increases for the Guaranteed Student Loan program in the 2007 biennium, anticipating significant growth in loan volume due to the Montana State University decision to return to the Guaranteed Student Loan program (MSU had been participating in the National Direct Student Loan Program since 1994). Loan

volume growth will require additional federal authority for GSL to purchase defaulted loans from private lenders as well as authority to make repayments of funds recovered to the federal Department of Education. Therefore, the legislature approved the federal authority to manage this growth.

The legislature also approved an additional 8.0 FTE in the GSL program to be able to manage the workload that is expected to come with the loan volume growth. The new positions include 5.0 FTE dedicated to counseling and outreach events to students in an effort to prevent loan defaults from occurring.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

| | | Program Funding Table Guaranteed Student Loan | | | | |
|-----------------|--------------------------------------|--|----------------------|----------------------|------------------------|----------------------|
| Program Funding | | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 |
| 03000 | Total Federal Special Funds | \$ 25,038,628 | 100.0% | \$ 34,844,735 | 100.0% | \$ 37,204,976 |
| | 03400 Guaranteed Std. Loan-Admin. | 8,475,851 | 33.9% | 18,281,958 | 52.5% | 20,642,199 |
| | 03401 U.S. Dept Ed / Gsl Recall Acct | 16,562,777 | 66.1% | 16,562,777 | 47.5% | 16,562,777 |
| Grand Total | | <u>\$ 25,038,628</u> | <u>100.0%</u> | <u>\$ 34,844,735</u> | <u>100.0%</u> | <u>\$ 37,204,976</u> |

Funding for the Guaranteed Student Loan Program (GSL) is from a combination of federal and private revenues from the loan guarantee and collections services provided.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | |
|--|--------------|---------------|-----------------|--------------------|-------------|--------------|---------------|-----------------|---------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | |
| FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | (797) | | | | | 238 |
| Vacancy Savings | | | | (77,215) | | | | | (77,259) |
| Inflation/Deflation | | | | (665) | | | | | (408) |
| Fixed Costs | | | | 52,307 | | | | | 62,342 |
| Total Statewide Present Law Adjustments | | | | (\$26,370) | | | | | (\$15,087) |
| DP 9 - GSL Increased Claim Payments | | | | | | | | | |
| 0.00 | 0 | 0 | 8,000,000 | 8,000,000 | 0.00 | 0 | 0 | 10,000,000 | 10,000,000 |
| DP 10 - GSL Collection Recoveries | | | | | | | | | |
| 0.00 | 0 | 0 | 936,000 | 936,000 | 0.00 | 0 | 0 | 1,170,000 | 1,170,000 |
| Total Other Present Law Adjustments | | | | | | | | | |
| 0.00 | \$0 | \$0 | \$8,936,000 | \$8,936,000 | 0.00 | \$0 | \$0 | \$11,170,000 | \$11,170,000 |
| Grand Total All Present Law Adjustments | | | | \$8,909,630 | | | | | \$11,154,913 |

DP 9 - GSL Increased Claim Payments - The legislature approved an additional \$18 million in federal authority in the 2007 biennium to fund claim payments that are made to private lenders as the Guaranteed Student Loan (GSL) program purchases defaulted student loans in their capacity as student loan guarantor and default loan collector.

DP 10 - GSL Collection Recoveries - The legislature approved an additional \$2.1 million in federal authority in the 2007 biennium to fund the anticipated increase in claim payments that are required by law to be paid to the US Department of Education as their share of the default loan collection recoveries received by the Guaranteed Student Loan (GSL) program from defaulted student loans.

New Proposals

| New Proposals | | Fiscal 2006 | | | | Fiscal 2007 | | | | |
|--|-------------|--------------|---------------|------------------|------------------|-------------|--------------|---------------|--------------------|--------------------|
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 11 - GSL Default Reduction and Outreach | | | | | | | | | | |
| 12 | 0.00 | 0 | 0 | 500,000 | 500,000 | 0.00 | 0 | 0 | 500,000 | 500,000 |
| DP 12 - Add 8.00 FTE to GSL | | | | | | | | | | |
| 12 | 8.00 | 0 | 0 | 310,741 | 310,741 | 8.00 | 0 | 0 | 310,014 | 310,014 |
| DP 6010 - 2007 Biennium Pay Plan - HB 447 | | | | | | | | | | |
| 12 | 0.00 | 0 | 0 | 85,736 | 85,736 | 0.00 | 0 | 0 | 201,421 | 201,421 |
| Total | 8.00 | \$0 | \$0 | \$896,477 | \$896,477 | 8.00 | \$0 | \$0 | \$1,011,435 | \$1,011,435 |

DP 11 - GSL Default Reduction and Outreach - The legislature approved a \$1 million increase of federal authority for the Montana Guaranteed Student Loan program (GSL) to conduct targeted outreach and default reduction program activities.

DP 12 - Add 8.00 FTE to GSL - The legislature approved the addition of 8.00 FTE to the Guaranteed Student Loan program (GSL) at a cost of \$0.62 million of federal funding in the 2007 biennium. The new positions will handle the loan volume growth due to Montana State University rejoining the guaranteed student loan system (MSU had been participating in the National Direct Student Loan [NDSL] program since 1994).

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and an additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in FY 2006 and an additional \$51 per month in FY 2007. These amounts represent this program's allocation of costs to fund this pay plan.

Other Legislation

HB 435 - This bill created the Governor's Postsecondary Scholarship Program, which will provide both merit and need-based scholarship awards to eligible Montana resident students attending postsecondary institutions of the Montana University System. Although the funding for this program is budgeted in the Student Assistance Program 02 (\$1.5 million for awards and \$44,000 for administration costs over the 2007 biennium), staff in the Guaranteed Student Loan Program will be responsible for administering the scholarship awards.

Program Legislative Budget

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is the HB 447 pay plan allocation, if any, for this program.

| Program Legislative Budget | | | | | | | | |
|----------------------------|-------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Budget Item | Base Budget Fiscal 2004 | PL Base Adjustment Fiscal 2006 | New Proposals Fiscal 2006 | Total Leg. Budget Fiscal 2006 | PL Base Adjustment Fiscal 2007 | New Proposals Fiscal 2007 | Total Leg. Budget Fiscal 2007 | Total Leg. Budget Fiscal 06-07 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Personal Services | 7,200 | 0 | 0 | 7,200 | 0 | 0 | 7,200 | 14,400 |
| Operating Expenses | 27,285 | 10,000 | 0 | 37,285 | 10,000 | 0 | 37,285 | 74,570 |
| Total Costs | \$34,485 | \$10,000 | \$0 | \$44,485 | \$10,000 | \$0 | \$44,485 | \$88,970 |
| General Fund | 34,485 | 10,000 | 0 | 44,485 | 10,000 | 0 | 44,485 | 88,970 |
| Total Funds | \$34,485 | \$10,000 | \$0 | \$44,485 | \$10,000 | \$0 | \$44,485 | \$88,970 |

Program Description

The Board of Regents administration program provides secretarial support, travel (mileage, lodging, and food) and per diem to maintain board operations. Under Article X, Section 9, Montana Constitution, and 20-25-301, MCA, the Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System.

Program Highlights

| Board of Regents Major Budget Highlights | |
|---|--|
| ♦ | The legislature increased general fund by \$20,000 in the 2007 biennium to restore the budget to the FY 2004 authorized level and to restore per diem for the Board of Regents |

Program Narrative

At the September 2004 meeting of the Board of Regents for the Montana University System, the Board approved a new committee structure, including amendments to the existing bylaws. Under the new committee structure, the Board will meet bi-monthly for three days in order to allow each committee to hold meetings that will then report directly to the Board for action.

Funding

Funding for the Board of Regents administration program is entirely general fund.

| Program Funding Table Board Of Regents-Admin | | | | | | |
|---|--------------|-------------------|----------------|---------------------|----------------|---------------------|
| Program Funding | Base FY 2004 | % of Base FY 2004 | Budget FY 2006 | % of Budget FY 2006 | Budget FY 2007 | % of Budget FY 2007 |
| 01000 Total General Fund | \$ 34,485 | 100.0% | \$ 44,485 | 100.0% | \$ 44,485 | 100.0% |
| 01100 General Fund | 34,485 | 100.0% | 44,485 | 100.0% | 44,485 | 100.0% |
| Grand Total | \$ 34,485 | 100.0% | \$ 44,485 | 100.0% | \$ 44,485 | 100.0% |

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments | | | | | | | | | | |
|--|------|--------------|---------------|-----------------|------------------|------|--------------|---------------|-----------------|------------------|
| Fiscal 2006 | | | | | Fiscal 2007 | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| Personal Services | | | | | (7,200) | | | | | (7,200) |
| Total Statewide Present Law Adjustments | | | | | (\$7,200) | | | | | (\$7,200) |
| DP 14 - Restore Regents Budget to FY04 authorized levels | | | | | | | | | | |
| | 0.00 | 10,000 | 0 | 0 | 10,000 | 0.00 | 10,000 | 0 | 0 | 10,000 |
| DP 15 - Restore Base - Board of Regents Per Diem | | | | | | | | | | |
| | 0.00 | 7,200 | 0 | 0 | 7,200 | 0.00 | 7,200 | 0 | 0 | 7,200 |
| Total Other Present Law Adjustments | | | | | | | | | | |
| | 0.00 | \$17,200 | \$0 | \$0 | \$17,200 | 0.00 | \$17,200 | \$0 | \$0 | \$17,200 |
| Grand Total All Present Law Adjustments | | | | | \$10,000 | | | | | \$10,000 |

DP 14 - Restore Regents Budget to FY04 authorized levels - The legislature approved an increase of \$20,000 general fund in the 2007 biennium to restore funding to the FY 2004 authorized level.

DP 15 - Restore Base - Board of Regents Per Diem - The legislature restored the \$50 per diem paid to regents to serve on the board, adjusting this expenditure to the actual FY 2004 base year level. Per diem expenditures are zero-based so that restoring base funding is required each biennium.

LONG-RANGE PLANNING

Section F

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation
Treasure State Endowment Grant Program
Treasure State Endowment Regional Water System

Renewable Resource Grant & Loan Program
Reclamation & Development Grant Program
Cultural & Aesthetic Grant Program

-----Committee Members-----

House

Representative Jack Wells (Chair)
Representative Carol Juneau
Representative John Witt
Representative Ralph Lenhart

Senate

Senator Jon Tester (Vice-Chair)
Senator John Brueggeman
Senator Mike Cooney
Senator Bob Keenan

-----Fiscal Division Staff-----

Cathy Duncan

LONG-RANGE BUILDING PROGRAM

PROGRAM DESCRIPTION

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating the state's resources for the purpose of capital construction and repair of state-owned facilities. Historically, the LRBP has been funded with a combination of cash accounts and bonding. The various types of cash accounts include state and federal special revenue funds, other funds (such as university and private funds), and the capital projects fund (long-range building fund).

Figure 1 summarizes capital project appropriations for each biennium since 1993.

| Figure 1 | | | | | | | | |
|--|---------------|----------------------|------------------|--------------------|------------------------|--------------------------------------|---------------------------------------|-----------------------|
| Long Range Building Program Capital Projects Appropriations by Fund Type and Biennium | | | | | | | | |
| Biennium | LRBP Cash | Other State Funds | State Special | Federal Special | Donations / Grants (2) | Total LRBP Cash Program (HB 5) | G.O. Bonding (all LRBP bond bills) | Total LRBP Program |
| 1993 | \$8,382,298 | \$1,767,500 (1) | \$14,112,356 | \$34,823,332 | \$12,451,869 | \$71,537,355 | \$48,605,085 (3) | \$120,142,440 |
| 1995 | 3,118,536 | 2,600,000 (4) | 18,096,908 | 6,184,453 | 13,076,212 | 43,076,109 | 6,460,000 | 49,536,109 |
| 1997 | 6,885,000 (5) | | 25,984,192 | 63,333,296 | 20,273,640 | 116,476,128 | 32,865,240 | 149,341,368 |
| 1999 | 9,159,658 | | 24,058,107 | 15,092,557 | 30,013,619 | 78,323,941 | 43,319,315 | 121,643,256 |
| 2001 | 7,515,000 | 170,000 (1) | 22,204,804 | 39,236,497 | 46,495,000 | 115,621,301 | 33,403,750 | 149,025,051 |
| 2003 | 5,489,660 | | 20,420,275 | 15,800,000 | 39,105,080 | 80,815,015 | 25,025,286 | 105,840,301 |
| 2005 | 3,281,500 | | 24,044,460 | 11,319,212 | 41,095,000 | 79,740,172 | 0 | 79,740,172 |
| 2007 | 35,438,075 | 500,000 (6) | 26,945,974 (7) | 19,984,000 | 139,697,500 | 222,565,549 | 53,100,000 (8) | 275,665,549 |

(1) General Fund
 (2) Also includes higher education funds and proprietary funds
 (3) The 1993 Legislature reduced the prison expansion approved by the 1991 Legislature by \$12.7 million
 (4) \$2.6 million of general fund replaced cigarette tax revenue diverted for the operation of the veterans' home
 (5) Excludes the HB 5 appropriation of \$3.5 to OP1 for state advances and reimbursements for school facilities (this was not a LRBP project)
 (6) Capital Land Grant Funds
 (7) Excludes the HB 5 appropriation of \$133.8 million for Highway 93 construction projects (this is not a LRBP project)
 (8) Excludes the HB 540 bond authorization of \$19.5 million for the St. Mary's Water Project and the Ft. Belknap Water Compact (these are not a LRBP project)

SUMMARY OF LEGISLATIVE ACTION

HB 5, 299, and 540 contain the cash and bonding authorizations for the LRBP. The Fifty-ninth Legislature authorized 95 projects with a total project cost of \$275.7 million. The projects will be funded as follows:

- o \$35.4 million long-range building funds
- o \$0.5 million capitol land grant funds
- o \$26.9 million state special revenue
- o \$20.0 million federal special revenue
- o \$139.7 million donations, grants, higher education funds, and proprietary funds
- o \$53.1 million bond proceeds

Figure 2 shows, by agency, the projects approved by the legislature. These projects were included in HB 5, HB 299, and HB 540. Several projects included in these bills are not included in this section for analysis because the projects are not considered LRBP projects. As a result, the appropriation of the funds will not be seen in the figures in this section and details of the projects will not be discussed. For example, HB 5 contained one Department of Transportation road project, the US Highway 93 Construction, Evaro to Polson, which will not be discussed in this section. HB 540 contained two projects, the St. Mary's Water and the Ft. Belknap Water Compact, which will not be discussed in this section. More information on the US Highway 93 project can be found in Volume 3, Section A (Department of Transportation), of the Legislative Fiscal Report. More information on the St. Mary's water project can be found in Volume 1 of this report. Further information on the Ft. Belknap water compact can be found in Volume 4, Section C (Department of Natural Resources), of this Legislative Fiscal Report.

Figure 2

Long-Range Building Program
Cash and Bond Program Appropriations / Authorizations - 2007 Biennium

| Administrative Agency / Project Agency / Project | LRBP Projects in HB 5 | | | | | HB 299 & HB 540 Total Bonding | Project Total |
|--|-----------------------|--------------------------|---------------|--------------|-----------------------|--|------------------|
| | LRBP Cash | Other State Funds-CLG | State Special | Fed Special | Donations & Grants | Total Cash | |
| <u>Department of Administration</u> | | | | | | | |
| Montana School for the Deaf and Blind | \$398,000 | | | | | \$398,000 | \$398,000 |
| <u>Facility Improvements</u> | | | | | | | |
| Department of Administration | | | | | | | |
| Roof Repairs & Replacement | \$3,076,242 | | | \$206,500 | | 3,282,742 | 3,282,742 |
| Repair/Preserve Building Exteriors | 497,500 | | | | | 497,500 | 497,500 |
| Window Repairs & Replacement | 1,268,625 | | | | | 1,268,625 | 1,268,625 |
| Deferred Maintenance, Montana Law Enforcement Academy | 761,175 | | | | | 761,175 | 761,175 |
| Hazardous Materials Abatement | 497,500 | | | | | 497,500 | 497,500 |
| Code/Deferred Maintenance Projects | 1,255,989 | | | 90,000 | | 1,345,989 | 1,345,989 |
| Repair Deteriorated Campus Infrastructure | 547,250 | | | | | 547,250 | 547,250 |
| Major Maintenance and Repairs to State Capitol | 497,500 | | | | | 497,500 | 497,500 |
| Upgrade Fire Alarm Systems | 398,000 | | | | | 398,000 | 398,000 |
| Repair Elevators, Capitol Complex | 796,000 | | | | | 796,000 | 796,000 |
| Upgrade 1100 North Last Chance Gulch | 1,201,960 | | | | | 1,201,960 | 1,201,960 |
| DPHHS Commodity Warehouse Expansion, Helena | | | | 2,000,000 | | 2,000,000 | 2,000,000 |
| Public Restrooms Virginia/Nevada Cities | 99,450 | | | | | 99,450 | 99,450 |
| Montana Historic Society Building, Helena | | | | | | | |
| LRBP Funding Interim Project | 8,000 | 500,000 | | | | 500,000 | 500,000 |
| Capitol Annex or Alternatives Feasibility Study | | | | | 30,000,000 | 30,000,000 | 37,500,000 |
| <u>Department of Corrections</u> | | | | | | | |
| Improve Water System, MSP-Deer Lodge | 124,375 | | | | | 124,375 | 124,375 |
| Improve High-Side Kitchen Ventilation, MSP-Deer Lodge | 116,714 | | | | | 116,714 | 116,714 |
| Improve Perimeter Security, MSP-Deer Lodge | 1,393,000 | | | | | 1,393,000 | 1,393,000 |
| <u>Department of Fish, Wildlife, and Parks</u> | | | | | | | |
| Hatchery Maintenance | | | 575,000 | | | 575,000 | 1,150,000 |
| Rose Creek Hatchery | | | 1,700,000 | | | 1,700,000 | 1,700,000 |
| Fort Peck Storage/Office Space | | | 50,000 | | | 50,000 | 200,000 |
| <u>Department of Military Affairs</u> | | | | | | | |
| Public Safety Learning Center, MT Law Enforcement Academy | | | | 3,450,000 | | 3,450,000 | 3,450,000 |
| Federal Spending Authority | | | | 2,100,000 | | 2,100,000 | 2,100,000 |
| Western Montana Veterans' Cemetery, Missoula | | | | 3,200,000 | | 3,200,000 | 3,200,000 |
| Montana State Veterans' Cemetery Columbarium, Ft Harrison | | | | 500,000 | | 500,000 | 500,000 |
| <u>Department of Transportation</u> | | | | | | | |
| Equipment Storage Buildings, Statewide | | | 635,000 | | | 635,000 | 5,735,000 |
| Chiller/Cooling Towers Replacement, Helena Headquarters | | | 350,000 | | | 350,000 | 350,000 |
| Office Addition, Billings | | | 500,000 | | | 500,000 | 500,000 |
| <u>Department of Public Health and Human Services</u> | | | | | | | |
| Facility Improvements, Montana State Hospital-Warm Springs | 592,523 | | | | | 592,523 | 592,523 |
| Facility Improvements, MDC-Boulder | 218,044 | | | | | 218,044 | 218,044 |
| Demolish Abandoned Buildings | 1,741,250 | | | | | 1,741,250 | 1,741,250 |
| Stabilize Old Administration Building, MDC, Boulder | 179,100 | | | | | 179,100 | 179,100 |
| | \$15,668,196 | \$500,000 | \$3,810,000 | \$12,271,500 | \$30,000,000 | \$62,249,696 | \$74,849,696 |

Figure 2 (cont.)

| Long-Range Building Program Cash and Bond Program Appropriations / Authorizations - 2007 Biennium | | | | | | | | | |
|--|--------------|-----------------------|-----------------------|--------------|--|--------------------|---------------|-------------------------------|---------------|
| Administrative Agency / Project Agency / Project | LRBP Cash | Other State Funds-CLG | LRBP Projects in HB 5 | | | Donations & Grants | Total Cash | HB 299 & HB 540 Total Bonding | Project Total |
| Balance Brought Forward: | | | State Special | Fed Special | | | | | |
| Housing for High-Risk Behaviors | \$15,668,196 | \$500,000 | \$3,810,000 | \$12,271,500 | | \$30,000,000 | \$62,249,696 | \$12,600,000 | \$74,849,696 |
| Special Care Unit Renovations, EMVH-Glendive | 2,529,290 | | | | | | 2,529,290 | | 2,529,290 |
| Facility Renovation and Improvements, MVH-Columbia Falls | | | 475,000 | | | | 475,000 | | 475,000 |
| Authority to Construct Chapel, MSH-Warm Springs | | | 465,000 | | | | 465,000 | | 465,000 |
| Department of Natural Resource and Conservation | | | | | | 350,000 | 350,000 | | 350,000 |
| Replace Clearwater Unit Fire Cache | 248,750 | | | | | | 248,750 | | 248,750 |
| Governor's Office | | | | | | | | | |
| Historic and Cultural Properties Internum Study | 20,000 | | | | | | 20,000 | | 20,000 |
| Montana University System - Statewide | | | | | | | | | |
| ADA/Code/Deferred Maintenance Projects | 1,393,000 | | | | | | 1,393,000 | | 1,393,000 |
| Classroom/Laboratory Upgrades | 995,000 | | | | | | 995,000 | | 995,000 |
| Montana University Systems | | | | | | | | | |
| <u>University of Montana</u> | | | | | | | | | |
| Upgrade Steam Distribution System, Missoula | 5,905,325 | | | | | 3,060,000 | 8,965,325 | | 8,965,325 |
| Reno. HVAC Systems - Science Complex 3rd & 4th Flrs, Missoula | 606,950 | | | | | | 606,950 | | 606,950 |
| Mining & Geology Building Mechanical System Renovation, Butte | 915,400 | | | | | | 915,400 | | 915,400 |
| Upgrade Health Sciences IIVAC System - Phase 2, Missoula | 965,150 | | | | | | 965,150 | | 965,150 |
| Renovate Domestic Water Distribution System, Dillon | 182,185 | | | | | | 182,185 | | 182,185 |
| Law Building ADA Improv./Reno/Expansion, UM-Missoula | 500,000 | | | | | | 500,000 | | 500,000 |
| School of Journalism Building, UM-Missoula | 500,000 | | | | | | 500,000 | | 500,000 |
| Native American Study Center | | | | | | 2,500,000 | 2,500,000 | | 2,500,000 |
| Research Lab Facility | | | | | | 3,000,000 | 3,000,000 | | 3,000,000 |
| MBMG/Petroleum Building, UM Tech | | | | | | 5,400,000 | 5,400,000 | 9,000,000 | 14,400,000 |
| New Construction - Consolidate Campus, MCOT | | | | | | 24,500,000 | 24,500,000 | | 24,500,000 |
| New Gallery Space, Missoula | | | | | | 6,000,000 | 6,000,000 | | 6,000,000 |
| New Forestry Complex, Missoula | | | | | | 20,000,000 | 20,000,000 | 7,500,000 | 20,000,000 |
| Helena College of Technology, Helena | | | | | | | | | |
| <u>Montana State University</u> | | | | | | | | | |
| Upgrade HVAC Systems - Pershing & Brockman Halls, Northern | 521,380 | | | | | | 521,380 | | 521,380 |
| Heating Sys Improvs - Academic Cntr & McMullen Halls, Billings | 243,775 | | | | | | 243,775 | | 243,775 |
| Facility Repairs & Improvements, Billings | 542,275 | | | | | | 542,275 | | 542,275 |
| Heating Plant Phase 3, Bozeman | 945,250 | | | | | | 945,250 | | 945,250 |
| Water/Sewer System Repairs and Maintenance, Bozeman | 248,750 | | | | | 250,000 | 498,750 | | 498,750 |
| Upgrade Primary Electrical Distribution, Bozeman | 746,250 | | | | | 750,000 | 1,496,250 | | 1,496,250 |
| Facility Repairs and Improvements, AES | 477,600 | | | | | | 477,600 | | 477,600 |
| Maintenance projects, MAES | 646,750 | | | | | | 646,750 | 500,000 | 1,146,750 |
| Campus Improvements, Northern | 636,800 | | | | | 300,000 | 936,800 | | 936,800 |
| VisComm Black Box Theater, Bozeman | | | | | | 2,750,000 | 2,750,000 | | 2,750,000 |
| Animal Bioscience Building | | | | | | 7,500,000 | 7,500,000 | | 7,500,000 |
| | \$35,438,075 | \$500,000 | \$4,750,000 | \$12,271,500 | | \$106,360,000 | \$159,319,575 | \$29,600,000 | \$188,919,575 |

Figure 2 (cont.)
Long-Range Building Program
Cash and Bond Program Appropriations / Authorizations - 2007 Biennium

| Administrative Agency / Project Agency / Project | LRBP Projects in HB 5 | | | | | HB 299 & HB 540 Total Bonding | Project Total |
|---|-----------------------|--------------------------|---------------------|---------------------|-----------------------|--|----------------------|
| | LRBP Cash | Other State Funds-CLG | State Special | Fed Special | Donations & Grants | Total Cash | |
| Balance Brought Forward: | \$35,438,075 | \$500,000 | \$4,750,000 | \$12,271,500 | \$106,360,000 | \$159,319,575 | \$188,919,575 |
| Museum of the Rockies | | | | | 12,000,000 | 12,000,000 | 12,000,000 |
| Native American Student Center | | | | | 8,000,000 | 8,000,000 | 8,000,000 |
| Great Falls College of Technology, Great Falls | | | | | | | 11,000,000 |
| Billings College of Technology, Billings | | | | | | | 9,000,000 |
| Gaines Hall Renovation, | | | | | | | 3,500,000 |
| Montana University Systems | | | | | | | |
| <i>University of Montana</i> | | | | | | | |
| General Spending Authority, All Campuses | | | | | 4,000,000 | 4,000,000 | 4,000,000 |
| <i>Montana State University</i> | | | | | | | |
| General Spending Authority, All Campuses | | | | | 7,000,000 | 7,000,000 | 7,000,000 |
| Department of Fish, Wildlife, and Parks | | | | | | | |
| Big Springs PCB Cleanup | 1,696,974 | | | 2,375,000 | | 4,071,974 | 4,071,974 |
| Future Fisheries | 1,190,000 | | | | | 1,190,000 | 1,190,000 |
| FAS Maintenance | 350,000 | | | | | 350,000 | 350,000 |
| FAS Site Protection | 800,000 | | | | | 800,000 | 800,000 |
| Community Fishing Ponds | | | | 50,000 | | 50,000 | 50,000 |
| Boat Washing Stations | 25,000 | | | 75,000 | | 100,000 | 100,000 |
| Fish Cleaning Stations | | | | 112,500 | 37,500 | 150,000 | 150,000 |
| Upland Game Bird Program | 1,220,000 | | | | | 1,220,000 | 1,220,000 |
| Wildlife Habitat Maintenance | 750,000 | | | | | 750,000 | 750,000 |
| Migratory Bird Stamp Program | 625,000 | | | | | 625,000 | 625,000 |
| Motorboat Recreation | 2,305,000 | | | | 2,000,000 | 4,305,000 | 4,305,000 |
| Cultural & Historic Parks | 2,245,000 | | | | 300,000 | 2,545,000 | 2,545,000 |
| Grant Programs/Federal Projects | 330,000 | | | 5,000,000 | | 5,330,000 | 5,330,000 |
| FAS Acquisition | 650,000 | | | 100,000 | | 750,000 | 750,000 |
| Habitat Montana | 5,430,000 | | | | | 5,430,000 | 5,430,000 |
| Repair Dams | 264,000 | | | | | 264,000 | 264,000 |
| Department of Military Affairs | | | | | | | |
| Admin Facilities Repair, Maintenance & Improvements | 800,000 | | | | | 800,000 | 800,000 |
| Department of Transportation | | | | | | | |
| Maintenance, Repair and Small Projects, Statewide | | | | | | | |
| Total | <u>\$35,438,075</u> | <u>\$500,000</u> | <u>\$26,945,974</u> | <u>\$19,984,000</u> | <u>\$139,697,500</u> | <u>\$222,565,549</u> | <u>\$275,665,549</u> |

Certain projects included in HB 5 and HB 540 are not LRBP projects, and are not included in this table.

CLG - Capitol Land Grant Funds

Those projects include:

HB 5 : U.S. Highway 93 Construction Projects, Evaro to Polson, \$133.8 million, state special revenue.

HB 540: St. Mary Water Project-State Support, \$10.0 million, bond authority.

Fort Belknap Water Compact-State Cost Share, \$9.5 million, bond authority.

EXECUTIVE BUDGET COMPARISON

The legislature appropriated and authorized project funds totaling \$275.7 million for capitol projects in the 2007 biennium compared to the executive recommendation of \$156.1 million, an increase of approximately 76 percent. Two reasons explain the dramatic difference. First, the executive budget did not include many Montana University System projects, which in past biennia were included in the initial budget. These building projects affected both the amount of authorizations in the cash program and bond authorizations in the bond program. Second, the executive budget did not include two large projects, appropriated from federal funds. The projects were developed during the 2007 session. Significant changes from the executive budget are described below.

| Figure 3 Long-Range Building Program Legislative Budget Compared to Executive Budget | | | |
|--|--------------------------|---------------------------|----------------|
| Funding Source | Executive Recommendation | Legislative Appropriation | Percent Change |
| LRBP Capitol Account | \$35,128,040 | \$35,438,075 | 0.88% |
| Capital Land Grant | 0 | 500,000 | |
| State Special Revenue Accounts | 29,664,000 | 26,945,974 | -9.16% |
| Federal Special Revenue Accounts | 11,914,000 | 19,984,000 | 67.74% |
| Other (donations and grants) | 74,297,500 | 139,697,500 | 88.02% |
| Bonding | <u>5,100,000</u> | <u>52,600,000</u> | 931.37% |
| Total Funding | <u>\$156,103,540</u> | <u>\$275,165,549</u> | 76.27% |

University Authorization

The executive recommended authorizations for university facilities of \$71.6 million. The legislature increased authorizations by \$35.4 million to \$107.0 million. The projects for which the increase can be attributed include the Animal Bioscience Building, the Museum of the Rockies, and the Native American Student Center, in the Montana State University system, and the Research Lab Facility, the MBMG/Petroleum Building (UM Tech), and the Native American Study Center, in the University of Montana system. The authorization allows the Universities to raise monies through donations and grants for the future funding of the projects. Design work for the projects will begin in the 2007 biennium.

Bonded Capitol Projects

The executive recommended \$5.1 million in bond authority for Department of Transportation storage facilities, statewide. The legislature increased the amount of bond authorization by \$48.5 million to \$52.6 million for LRBP projects at colleges of technology and the Historical Society. Following the lead of the executive, the legislature chose to invest bond funds in two-year and technical higher education facilities across the state. New and renovated classroom and study space will be added at Helena COT, UM Tech, Billings COT, and Great Falls COT. Additionally, the legislature authorized bond proceeds for renovations at Gaines Hall and projects at agriculture stations across the state. Furthermore, the legislature authorized \$7.5 million, which will be used by the Historical Society to purchase the Capital Hill mall in Helena for a new museum.

Federal Fund Projects

Two federally funded projects that were developed during the 2005 session increased the amount of federal funds appropriated in the cash program. The Department of Public Health and Human Services discovered they would receive federal funds to expand the commodity warehouse in Helena. The Department of Military Affairs also learned of the potential to receive federal funds for the construction of a public safety-learning center at the Montana Law Enforcement Academy. These appropriations were not included in the executive budget.

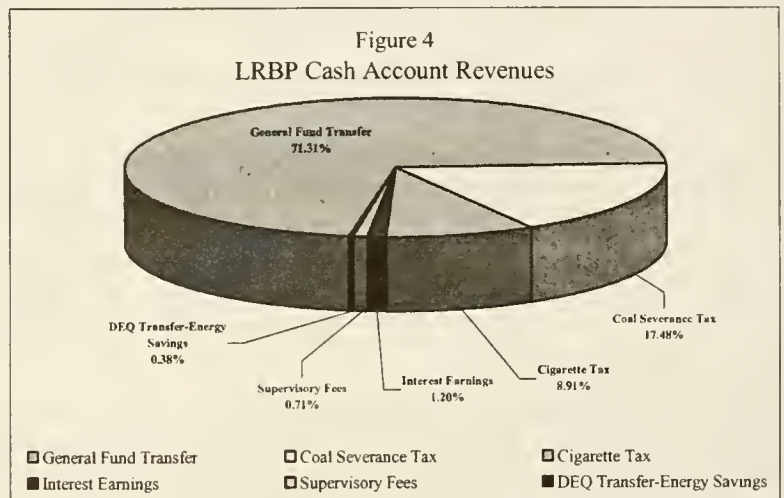
FUNDING

LRBP Cash Program Funding

Funding for the Long-Range Building Program comes from various sources: the LRBP fund, state special revenue funds, federal funds, and other funds (such as university funds, private funds, and capitol land grant funds).

LRBP account revenues include 2.6 percent of cigarette tax revenue and 12.0 percent of coal severance tax revenue. Other income includes LRBP interest earnings, State Building Energy Conservation (SBEC) program savings, and supervisory fees paid to the Architecture and Engineering Division (A&E) of the Department of Administration. In the 2007 biennium, the executive recommended a one-time general fund transfer to the LRBP account of \$30 million. The legislature changed the amount of the transfer in several different actions through the session, but the resulting transfers over the biennium increased by only \$100,000 to \$30.1 million. The proportional contribution of each of the revenue sources to the LRBP cash account is seen in the chart to the right.

The LRBP has experienced years of deterioration to its funding mechanism because the bulk of the program funding comes from declining cigarette tax revenues. While coal tax revenues now make up a bigger proportion of the program funding, those dollars are directed to the payment of debt service obligations from building program bonds issued in the late 1990's. Most are aware that cigarette tax revenues will continue to decline as more and more smokers become actively aware of the harmful effects of smoking. Consequently, revenues to the program cannot sustain the needed upkeep on state buildings.



The 2005 Legislature determined that the time was right to authorize a study to investigate alternative sources of LRBP funding. The legislature recommended that the interim Legislative Finance Committee conduct a study to determine what the annual requirements for maintaining the state's buildings are and determine an adequate source of funding for the program. The committee will then make recommendations to the Sixtieth Legislature.

A portion of LRBP revenues is received from the SEBC program. Through this program, the state issues general obligation (G.O.) bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the resulting energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service payments. Excess savings are transferred to the long-range building program.

Figure 5 shows the projected fund balance for the LRBP account for the 2007 biennium. The LRBP fund will collect \$12.1 million in revenues over the 2007 biennium. The program was given a one-time general fund transfer of \$30.1 million, which will enable the program to make some headway in the backlog of deferred maintenance that currently exists in the state. A&E administration is funded with \$2.6 million for operating expenses, appropriated in HB 2. The debt service for bonds authorized by the 1995 Legislature, \$4.6 million, is also paid through the LRBP cash account. This revised debt service calculation is current as of May 2005, when a refunding issue was sold. The refunding issue, 2005A, refunded portions of two coal severance tax supported bonds, the 1997B issue and the 1999C issue. As observed in Figure 5, portions of these issues were not refunded, and payment of debt service on the two issues will continue through the 2009 biennium. Approximately \$35.4

million is requested for cash projects in HB 5, leaving an estimated fund balance of \$186,561 at the end of the 2007 biennium.

Figure 5
Long-Range Building Program Account (05007)
Fund Balance Projection - 2007 Biennium

| | |
|--|---------------------|
| Estimated Beginning Fund Balance (July 1, 2005) | \$613,164 |
| Revenues, 2007 Biennium ¹ | |
| Cigarette Tax | \$3,739,979 |
| Coal Severance Tax | 7,380,000 |
| Interest Earnings | 507,827 |
| Supervisory Fees | 301,712 |
| DEQ Transfer-Energy Savings | <u>159,741</u> |
| Total Revenues | \$12,089,259 |
| 2007 Biennium Funds Available | 12,702,423 |
| Biennial Expenditures | |
| Operating Costs-A & E Division | (2,603,840) |
| Debt Service-2003G ² | (3,730,702) |
| Debt Service-1997B ³ | (542,718) |
| Debt Service-1999C ³ | (853,285) |
| Debt Service-2005A ⁴ | (777,242) |
| Funding Switch ⁵ | <u>1,330,000</u> |
| Total Appropriated Expenditures-Excluding Capital Projects | <u>(7,177,787)</u> |
| Funds Available for Capital Projects | 5,524,636 |
| One Time General Fund Transfer | <u>30,100,000</u> |
| Total Available for Capitol Projects | 35,624,636 |
| Appropriations LRBP Cash Account | <u>(35,438,075)</u> |
| June 30, 2007 Projected Ending Fund Balance: | <u>\$186,561</u> |

¹Based on HJR 2 projections
²Refinance of 1996D issue
³Portions of the 1997B and the 1999C that were not refunded
⁴Refinance portions of the 1997B and 1999C issues
⁵Debt Service Funding Switch, 2001 legislative session

Capitol Land Grant Revenue Funding

Capitol land grant revenue, derived from trust lands designated in the Enabling Act for the state capitol complex, has been used in the past as a source of LRBP funding. In recent biennia, the fund has been used with increasing importance as a vehicle to fund the capitol complex maintenance activities of the General Services Division. LRBP project appropriations from the fund are typically provided with a last priority, and project funding often does not materialize.

The Fifty-ninth Legislature appropriated funding for one project, with a last priority for funding, from the capitol land grant revenue fund. The single appropriation, \$500,000 for a study entitled Capitol Annex or Alternatives Feasibility Study, will be funded with capitol land grant revenue, only if funds are sufficient to fund all higher priority appropriations first. If fund are not sufficient, this study could be funded with LRBP fund reversions of the 2007 biennium. Figure 6 shows the capitol land grant account

Figure 6
Capitol Land Grant Account (05008)
Fund Balance Projection - 2007 Biennium

| | |
|---|--------------------|
| Estimated Beginning Fund Balance (July 1, 2005) | \$320,911 |
| Revenues, 2007 Biennium ¹ | |
| 2006 Investment Earnings | 939,000 |
| 2007 Investment Earnings | <u>943,000</u> |
| 2007 Biennium Revenues | 1,882,000 |
| 2007 Biennium Funds Available | 2,202,911 |
| Biennial Expenditures | |
| Debt Service-2003G | (856,583) |
| Debt Service-Justice Building | (154,972) |
| General Services, Capitol Complex Maintenance | <u>(1,000,000)</u> |
| Total Appropriated Expenditures-Excluding Capital Projects | <u>(2,011,555)</u> |
| Funds Available for Capital Projects | 191,357 |
| Capitol Annex or Alternatives Feasibility Study-2007 Biennium | <u>(500,000)</u> |
| June 30, 2007 Projected Ending Fund Balance: | <u>(\$308,643)</u> |

¹Based on HJR 2 projections

beginning the 2007 biennium with an ending fund balance of \$320,911. Revenues to the account are projected to be 1.9 million in the 2007 biennium. Appropriations from the account include two statutory appropriations for debt service, amounting to slightly over \$1.0 million. General Services Division has an appropriation from the account for another million. The fund balance for this account, omitting the capitol annex study is projected to be \$191,357. Because the appropriation for the Capitol Annex or Alternatives Feasibility Study was established contingent on sufficient revenues in the account, the appropriation will have to be funded with reversions.

LRBP Bonded Funding

Several LRBP projects were funded with bond authority in the 2007 biennium. Two bills authorized bonds for LRBP projects, HB 299 and HB 540.

HB 299: One LRBP project was authorized in HB 299. The Montana Department of Transportation (DOT) will use \$5.1 million in bonded funds for the LRBP construction of equipment storage buildings statewide. Although G.O. bonds obligate the full faith and credit of the state general fund, the bonds will be paid with DOT state special revenue funds.

The assumptions used in developing a debt service estimate of the DOT project is as follows:

- o The Board of Investments (BOI) will issue bonds in late FY 2006
- o The bonds will have a 10-year maturity
- o The bonds will have an interest rate of 3.75 percent
- o Debt service will average approximately \$611,000 per year
- o Debt service will begin in FY 2007, with a payment of \$99,211
- o Debt service payment will be made by the Department of Administration with funds transferred from DOT state special revenue
- o Debt service payments would continue through FY 2017

HB 540: Nine bonded projects were authorized in HB 540. Of the nine projects, seven were LRBP projects and two were projects authorized for the Department of Natural Resources and Conservation (DNRC). The debt service for all nine projects was estimated to cost the general fund \$625,857 in the 2007 biennium, using the assumptions listed below. For the purpose of this analysis, debt service estimates will be separated between the LRBP projects and the DNRC projects.

The assumptions used in developing a debt service estimate of the LRBP project is as follows:

- o The Board of Investments (BOI) will issue \$17.4 million in bonds in FY 2006
- o The Board of Investments (BOI) will issue \$22.2 million in bonds in FY 2007
- o The Board of Investments (BOI) will issue the remaining \$8.4 million in bonds in FY 2008
- o The bonds will have a 20-year maturity
- o The bonds will have an interest rate of 4.45 percent
- o Debt service will average approximately \$3.6 million per year
- o Debt service will begin in FY 2007, with a payment of \$405,075
- o Debt service payments would continue through FY 2029

The Figure 7 shows general fund debt service obligations for the outstanding LRBP/IT bond issues plus the new debt service payments resulting from the projects approved in HB 540. Debt service obligations of DOT, from HB 299, and DNRC, from HB 540, are shown but not included in the calculation of estimated LRBP general fund debt service. Debt service of the \$5.1 million bond authority approved in HB 299 will be paid with state special revenue, and as such will not be an obligation of the general fund. The DNRC debt service for the \$19.5 million appropriations is not considered a LRBP obligation. While the debt service is an obligation on the general fund, it is not an obligation related to LRBP, so it is not included in the LRBP total debt service calculation. The debt service obligations of these two projects are included strictly for informative value. Total estimated general fund LRBP debt service for the 2007 biennium is \$405,075 million.

Figure 7
General Fund LRBP Debt Service Obligations
 New G.O. Debt Service - 2007 Biennium

| FY | Current GF- LRBP Debt Service | New Debt Service Total | | | | Total GF- Annual LRBP Debt Service |
|-------|-------------------------------------|---------------------------|------------------------|----------------|----------------|--|
| | | LRBP HB 299 | Debt Service HB 540 | DNRC HB 540 | LRBP HB 540 | |
| 2006 | \$18,247,974 | \$0 | \$0 | \$0 | \$0 | \$18,247,974 |
| 2007 | 18,341,763 | 99,211 | 625,857 | 220,782 | 405,075 | 18,746,838 |
| 2008 | 18,267,732 | 612,623 | 2,788,895 | 952,489 | 1,836,406 | 20,104,137 |
| 2009 | 14,017,487 | 612,310 | 4,674,030 | 1,477,760 | 3,196,270 | 17,213,756 |
| 2010 | 13,723,089 | 611,984 | 5,113,524 | 1,477,100 | 3,636,424 | 17,359,513 |
| 2011 | 11,477,562 | 611,647 | 5,111,159 | 1,476,411 | 3,634,748 | 15,112,310 |
| 2012 | 11,494,681 | 611,297 | 5,108,688 | 1,475,690 | 3,632,998 | 15,127,678 |
| 2013 | 11,490,566 | 610,934 | 5,106,107 | 1,474,938 | 3,631,169 | 15,121,735 |
| 2014 | 11,442,121 | 610,557 | 5,103,412 | 1,474,153 | 3,629,259 | 15,071,380 |
| 2015 | 9,667,140 | 610,166 | 5,100,596 | 1,473,331 | 3,627,265 | 13,294,404 |
| 2016 | 8,116,313 | 609,760 | 5,097,655 | 1,472,474 | 3,625,181 | 11,741,494 |
| 2017 | 8,138,016 | 609,339 | 5,094,584 | 1,471,579 | 3,623,005 | 11,761,021 |
| 2018 | 7,887,433 | | 5,091,375 | 1,470,643 | 3,620,732 | 11,508,165 |
| 2019 | 5,103,931 | | 5,088,024 | 1,469,666 | 3,618,358 | 8,722,288 |
| 2020 | 3,883,585 | | 5,084,524 | 1,468,646 | 3,615,878 | 7,499,463 |
| 2021 | 2,551,543 | | 5,080,868 | 1,467,580 | 3,613,288 | 6,164,830 |
| 2022 | 1,705,993 | | 5,077,049 | 1,466,467 | 3,610,582 | 5,316,575 |
| 2023 | 1,711,961 | | 5,073,061 | 1,465,305 | 3,607,756 | 5,319,718 |
| 2024 | 962,293 | | 5,068,895 | 1,464,090 | 3,604,805 | 4,567,097 |
| 2025 | 296,641 | | 5,064,543 | 1,462,821 | 3,601,722 | 3,898,363 |
| 2026 | 122,580 | | 5,059,988 | 1,461,486 | 3,598,502 | 3,721,082 |
| 2027 | | | 5,055,250 | 1,460,112 | 3,595,138 | 3,595,138 |
| 2028 | | | 3,036,882 | 748,403 | 2,288,479 | 2,288,479 |
| 2029 | - | - | 628,659 | - | 628,659 | 628,659 |
| Total | \$178,650,402 | \$6,209,828 | \$103,333,625 | \$29,851,928 | \$73,481,697 | \$252,132,099 |

GF-General Fund

Note: It is important to note that the debt service payments budgeted by the 2005 Legislature are estimates. If interest rates and/or bond issuance timelines change, these payments may change as a result. General fund payments will be made from the statutory appropriation for debt service. The timing of payments due is based on information provided in the fiscal notes of HB 299 and HB 540.

Detailed Project Descriptions

HB 5 – Cash Projects

Appropriations amounting to \$356.3 million for projects were approved in HB 5. Appropriations were made from 28 different capitol project, state special revenue, federal special revenue, and university fund accounts. Of the \$356.3 million, \$222.6 million were authorized for projects in the LRBP. The remaining \$133.7 million was appropriated for highway improvements within the U.S. Highway 90 corridor between Evano and Polson. A brief description of the long-range building projects included in HB 5 is seen below.

Department of Administration

- o Facility Improvements, MT School for the Deaf and Blind - \$398,000 LRBP Cash Account - This appropriation will fund numerous repairs, upgrades and improvements to the school, including: repairs to gable siding and windows, furnace and energy efficiency upgrades, repair or replacement of flooring, repair or spot replacement of deteriorated portions of campus sidewalks, and campus fire alarm panel upgrades
- o Roof Repairs or Replacements, Statewide - \$3,282,742 Total (\$3,076,242 LRBP Cash Account, \$206,500 Federal Special Revenue) – This appropriation will repair or replace roofs on various state-owned buildings located throughout the state of Montana, including university facilities

- Repair/Preserve Building Exteriors, Statewide - \$497,500 LRBP Cash Account – This appropriation will tuck-point, caulk, and repair and seal exterior envelopes of existing buildings to prevent further deterioration of building components and contents
- Window Repairs & Replacement, Statewide - \$1,268,625 LRBP Cash Account – This appropriation will repair or replace single-pane and failing window systems to save energy and improve occupant comfort
- Deferred Maintenance, Montana Law Enforcement Academy - \$761,175 LRBP Cash Account – This appropriation will address the highest priority deferred maintenance needs throughout the campus including as allowed by appropriated funds: replace heating system boiler, improve heating distribution controls, repair or replace failed building windows and exterior wood members, foundation stabilization, and miscellaneous brick and roadway
- Hazardous Material Abatement - \$497,500 LRBP Cash Account – This appropriation addresses unanticipated abatement and is not meant to augment individual project appropriations where hazardous materials are known or reasonably anticipated to exist. In known cases, abatement is funded with individual project monies
- Code/Deferred Maintenance & Disability Access, Statewide - \$1,345,989 Total (\$1,255,989 LRBP Cash Account, \$90,000 Federal Special Revenue) – This appropriation funds projects located throughout the state that will remedy life-safety, disability access, and code and deferred maintenance deficiencies
- Repair/Replace Deteriorated Campus Infrastructure, Statewide - \$574,250 LRBP Cash Account – This appropriation will repair or replace deteriorated campus infrastructure at various agency campuses throughout the state
- Major Maintenance and Repairs to the State Capitol - \$497,500 LRBP Cash – This appropriation will provide funding for repairs to the exterior envelope of the State Capitol and replace or overlay the north capitol drive
- Upgrade Fire Alarm Systems, Statewide - \$398,000 LRBP Cash Account – This appropriation will fund projects to repair, upgrade, or replace existing fire alarm systems throughout the state, including universities
- Repair Elevators, Capitol Complex - \$796,000 LRBP Cash – This appropriation will fund projects to replace worn components and modify elevators within the Capitol Complex
- Upgrade 1100 North Last Chance Gulch, Helena - \$1,201,960 LRBP Cash Account – This appropriation will fund projects to upgrade mechanical systems, improve ADA accessibility (including installation of an elevator), replace windows, and complete other building improvements
- DPHHS Commodity Warehouse Expansion, Helena - \$2,000,000 Federal Special Revenue – This project authorizes the construct of an addition to the commodity warehouse, should federal funds become available
- Public Restrooms, Virginia and Nevada Cities - \$99,450 LRBP Cash Account – This appropriation will construct public restroom buildings at Virginia and Nevada Cities
- Montana Historic Society Building, Helena - \$30,000,000 Donations – This project provides legislative authority to spend non-state funds for the design and construction of a new Montana historical society building
- LRBP Funding Interim Project, Helena - \$8,000 LRBP Cash Account – This appropriation will fund an interim study to analyze the requirements for and future funding of the Long Range Building Program. A subcommittee of the 2005-2006 interim Finance Committee is expected to conduct the study
- Capitol Annex or Alternatives Feasibility Study - \$500,000 Capital Building Account – This appropriation funds a project for a conceptual study of the legislative, staff, and public space needs of the Capitol building. Contingency language included in HB 5 authorizes the use of Capitol Land Grant (CLG) funds, if available this biennium. If CLG funds are not sufficient for the project, it may be funded using LRBP project reversions made during the 2007 biennium
- Improve Water System, MSP-Deer Lodge (DOC) - \$124,375 LRBP Cash Account – This appropriation will fund repairs and improvements of the potable and non-potable water systems
- Improve High-Side Kitchen Ventilation, MSP-Deer Lodge (DOC) - \$116,714 LRBP Cash Account - This appropriation will fund updates of HVAC cooling equipment, and temperature controls; the appropriation will be augmented with energy funds through the state energy conservation program

- Improve Perimeter Security, MSP-Deer Lodge (DOC) - \$1,393,000 LRBP Cash Account – This appropriation will fund replacement of deteriorating concertina barbed-tape along the secure double-perimeter fence and upgrade the industries compound perimeter security fence
- Hatchery Maintenance, Statewide (FWP) - \$1,150,000 Total (\$575,000 State Special Revenue, \$575,000 Federal Special Revenue) – This project will provide funding for the timely repair and preventive maintenance of the nine state fish hatcheries across the state
- Rose Creek Hatchery, Rose Creek (FWP) - \$1,700,000 State Special Revenue – This appropriation will fund improvements to the hatchery, including new raceways for rearing fish and an effluent and containment system. Specific language within HB 5 allows proceeds from the sale of the Arlee Hatchery to be used for this project
- Fort Peck Storage/Office Space, Ft. Peck (FWP) - \$200,000 Total (\$50,000 State Special Revenue, \$150,000 Federal Special Revenue) – This appropriation will fund the construction of storage/office space to provide space for fisheries management/research staff and equipment
- Administrative Facilities Repair, Maintenance, & Improvements, Statewide (DMA) - \$800,000 State Special Revenue – This appropriation funds projects for routine/annual preventive maintenance and small construction projects at sites statewide
- Public Safety Learning Center, MT Law Enforcement Academy (DMA) - \$3,450,000 Federal Special Revenue – This appropriation funds a project to construct a Public Safety Learning Center at the academy, should federal funds become available
- Federal Spending Authority, Statewide (DMA) - \$2,100,000 Federal Special Revenue – This appropriation funds projects for repair and maintenance, minor construction, and facility improvements at various DMA facilities
- Western Montana Veterans' Cemetery, Missoula (DMA) - \$3,200,000 Federal Special Revenue – This appropriation funds a project for the design and construction of a new cemetery
- Montana State Veterans' Cemetery Columbarium, Ft. Harrison (DMA) - \$500,000 Federal Special Revenue – This appropriation will fund a project for the design and construction of a columbarium at the Montana State Veterans' Cemetery
- Equipment Storage Buildings, Statewide (DOT) - \$635,000 Highways SSR – This appropriation will fund the construction of new equipment storage buildings to house road maintenance equipment and personnel at various locations throughout the state. This appropriation augments \$5.1 million in bond authority. Total appropriations for this project are \$5,735,000.
- Chiller/Cooling Towers Replacement, Helena (DOT) - \$350,000 State Special Revenue – This appropriation funds the replacement of the chiller and cooling towers at the DOT headquarters
- Office Addition, Billings (DOT) - \$500,000 State Special Revenue – This appropriation funds the renovation of existing space and construction of additional office space at the DOT administrative site
- Facility Improvements-MSH, Warm Springs (PHHS) - \$592,523 LRBP Cash Account – This appropriation will fund HVAC improvements, seclusion room renovations, and ADA improvements throughout the campus
- Facility Improvements – MDC, Boulder (PHHS) - \$218,044 LRBP Cash Account – This appropriation will fund replacement of flooring and windows, replacement of the gymnasium and stage floors, and provide for various ADA and accessibility improvements throughout the campus
- Demolish Abandoned Buildings-MDC, Boulder (PHHS) - \$1,741,250 LRBP Cash Account – This appropriation will fund demolition of abandoned buildings within the campus
- Stabilize Old Administration Building-MDC, Boulder (PHHS) - \$179,100 LRBP Cash Account – This appropriation will fund the mothballing of the old Administration Building located within the campus
- Housing for High-Risk Behaviors-MDC, Boulder (PHHS) - \$2,529,290 LRBP Cash Account – This appropriation will fund renovations or complete replacement of a building to provide an appropriate, secure and durable living environment for residents with high-risk behaviors
- Special Care Unit Renovations – EMVH, Glendive (PHHS) - \$475,000 State Special Revenue – This appropriation will fund remodeling of the north wing of the home to provide a special care unit and to convert the existing west wing to nursing beds

- Facility Renovation and Improvements-MVH, Columbia Falls (PHHS) - \$465,000 State Special Revenue - This appropriation funds the repair/renovation of the service building and Superintendent's residence as well as various site improvements within the campus
- Authority to Construct Chapel-MSH, Warm Springs (PHHS) - \$350,000 Donations – This project provides legislative authority to construct a chapel with private funds
- Replace Clearwater Unit Fire Cache, Missoula (DNRC) – \$248,750 LRBP Cash Account – This appropriation will provide funds to construct a new fire cache to replace the existing deteriorated shop and cache
- Historic and Cultural Properties Interim Study, Statewide (GOV) - \$20,000 LRBP Cash Account - This appropriation will fund an interim study, with a goal to propose policy suggestions regarding the preservation of Montana's state-owned historic and culturally significant places. The \$20,000 included in this appropriation consists of LRBP funds and may only be spent on state-owned buildings and properties. To the extent that additional, non-LRBP, funds are raised to augment this appropriation, this project may be expanded to include non-state facilities and properties

Montana University System

- ADA/Code/Deferred Maintenance Projects, Statewide - \$1,393,000 LRBP Cash Account - This appropriation will fund various improvements to correct code, deferred maintenance, and ADA deficiencies at numerous university system facilities statewide
- Classroom/Laboratory Upgrades, Statewide - \$995,000 LRBP Cash Account - This appropriation will provide for repairs and upgrades to classroom and laboratory buildings at various university system campuses statewide

University of Montana

- Upgrade Steam Distribution System, Missoula - \$8,965,325 Total (\$5,905,325 LRBP Cash Account, \$3,060,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds) - The appropriation of \$5,905,325 will fund upgrades to the campus steam distribution system. Spending authority of \$3,060,000 of donations and university funds was authorized for the project
- Renovate HVAC Systems-Science Complex, Missoula - \$606,950 LRBP Cash Account – This appropriation will complete the replacement of HVAC system and temperature controls. Phase 1 is currently underway and this appropriation will complete the project. This appropriation will be augmented with funding from the state building energy conservation program
- Mining & Geology Building Mechanical System Renovation, Butte - \$915,400 LRBP Cash Account – This appropriation will fund the installation of a new heating/ventilation system to replace the existing failed system. This appropriation will be augmented with funding from the state building energy conservation program
- Upgrade Health Sciences HVAC System, Missoula - \$965,150 LRBP Cash Account – This appropriation will fund upgrades of HVAC equipment on the third and fourth floors of the building. The first phase of improvements, which upgrades the systems on the first and second floors, is currently underway and this appropriation will complete the HVAC upgrades at this facility
- Renovate Domestic Water Distribution System, Dillon - \$182,185 LRBP Cash Account – This appropriation will fund installation of a new water service entrance and tie buildings to new mains to improve water pressure and availability
- Law Building ADA Improvements/Renovation/Expansion, Missoula - \$500,000 LRBP Cash Account – This appropriation will fund ADA and other improvements in the renovation and expansion of the existing building. This appropriation augments \$5 million of existing authority to spend non-state funds for this capital improvement
- School of Journalism Building, Missoula - \$500,000 LRBP Cash Account – This appropriation augments \$12 million of existing authority to spend non-state funds for the construction of a new building
- Native American Study Center, Missoula - \$2,500,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new building

- Research Lab Facility, Missoula - \$3,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new building
- MBMG/Petroleum Building, Butte - \$5,400,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to design and construct a new building. The authorization augments \$9,000,000 of bond proceeds appropriated in HB 540. Total appropriations and authorizations for the new building in the 2007 biennium are \$14,400,000
- New Construction-Consolidate Campus, Missoula - \$24,500,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new consolidated college of technology at Ft. Missoula
- New Gallery Space, Missoula - \$6,000,000 FSR, Donations, Grants, and/or Higher Education Funds - This project provides legislative authority to spend non-state funds for the construction of a new building
- New Forestry Complex, Missoula - \$20,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds for the construction of a new building

Montana State University

- Upgrade HVAC Systems-Pershing & Brockman Halls, Northern - \$521,380 LRBP Cash Account – This appropriation will fund the repair and upgrade the HVAC systems. The appropriation will be augmented with energy funds through the state building energy conservation program
- Heating System Improvements-Academic Center & McMullen Halls, Billings - \$243,775 LRBP Cash Account – This appropriation will replace outdated boiler systems. The appropriation will be augmented with energy funds through the state building energy conservation program
- Facility Repairs & Improvements, Billings - \$542,275 LRBP Cash Account – This appropriation will provide funds to correct code deficiencies in elevators, upgrade fire sprinkler systems, and provide for major maintenance, repairs and upgrades to laboratories
- Heating Plant Phase 3, Bozeman - \$945,250 LRBP Cash Account – This appropriation will provide funds to complete the main heating plant upgrades at the campus, including the design and construction of seismic improvements
- Water/Sewer System Repairs and Maintenance, Bozeman - \$498,750 Total (\$248,750 LRBP Cash Account, \$250,000 FSR, Donations, Grants, and/or Higher Education Funds) – The appropriation of \$248,750 will fund the first phase of repairs and replacement of undersized or deteriorated water/sewer system elements. Spending authority of \$250,000 of donations and university funds was also authorized for the project
- Upgrade Primary Electrical Distribution, Bozeman - \$1,496,250 Total (\$746,250 LRBP Cash Account, \$750,000 FSR, Donations, Grants, and/or Higher Education Funds) – The appropriation of \$746,250 will fund the design and installation of additional circuits, a new main feed, and associated switchgear with the intent of improving electrical distribution to correct current deficiencies and accommodate future needs within the central MSU-Bozeman campus. Spending authority of \$750,000 of donations and university funds was also authorized for the project
- Facility Repairs and Improvements-AES, Statewide - \$477,600 LRBP Cash Account – This appropriation will fund facility repairs and improvements at various agriculture experiment stations across the state.
- Maintenance Projects-AES, Statewide - \$646,750 LRBP Cash Account – This appropriation will fund numerous small projects to improve agricultural experiment stations across the state
- Campus Improvements, Northern - \$936,800 Total (\$636,800 LRBP Cash Account, \$300,000 FSR, Donations, Grants, and/or Higher Education Funds) – The appropriation of \$636,800 will fund relocation of parking to reduce vehicular/pedestrian conflicts, improve accessibility and address deferred maintenance issues within the campus. Spending authority of \$300,000 of donations and university funds was also authorized for the project
- VisComm Black Box Theater, Bozeman - \$2,750,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new theater. Upon completion of the replacement facility, the former theater space in the Student Union Building will revert to the student enterprise and will no longer be a state-funded O&M obligation

- Animal Bioscience Building, Bozeman - \$7,500,000 FSR, Donations, Grants, and/or Higher Education Funds - This project provides legislative authority to spend non-state funds for design and construction of a new building. This new authority augments \$5 million of existing authority
- Museum of the Rockies, Bozeman - \$12,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds for design and construction of a new building
- Native American Student Center, Bozeman - \$8,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds for design and construction of a new building

Montana University Systems

- General Spending Authority, All Campuses (UM) - \$4,000,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds – This project will provide spending authority to UM for capital improvements to campus facilities. Projects include deferred maintenance, renovations, ADA/Code compliance upgrades, and equipment purchases and replacements
- General Spending Authority, All Campuses (MSU) - \$7,000,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds – This project will provide spending authority to MSU for capital improvements to campus facilities. Projects include deferred maintenance, renovations, ADA/Code compliance upgrades, and equipment purchases and replacements

Department of Fish, Wildlife, and Parks

- Big Springs PCB Cleanup - \$4,071,974 Total (\$1,696,974 State Special Revenue, \$2,375,000 Federal Special Revenue) - This appropriation funds a project to cleanup PCB contamination at the Big Springs Hatchery and Creek
- Future Fisheries - \$1,190,000 State Special Revenue – This appropriation funds projects for the statewide fish habitat restoration projects
- Fishing Access Sites Maintenance - \$350,000 State Special Revenue – This appropriation funds projects for noxious weed control, latrine pumping, general maintenance activities and stream bank stabilization at fishing access sites
- Fishing Access Site Protection - \$800,000 State Special Revenue – This appropriation funds projects for installation and rehabilitation of basic public use facilities at fishing access sites including latrines, road repairs, and other improvements
- Community Fishing Ponds - \$50,000 Federal Special Revenue – This appropriation funds projects to develop community fishing ponds and promote efforts for family fishing adventures
- Boat Washing Stations - \$100,000 Total (\$25,000 State Special Revenue, \$75,000 Federal Special Revenue) – This appropriation will fund projects for the construction of boat-washing stations to help prevent the spread of aquatic nuisance species to Montana waters from out-of-state boats
- Fish Cleaning Stations - \$150,000 Total (\$112,500 Federal Special Revenue, \$37,500 Donations and Grants) - This appropriation will fund the construction of fish-cleaning stations at various locations throughout the state
- Upland Game Bird Program – \$1,220,000 State Special Revenue – This appropriation provides private landowners with cost-share funding to restore or establish habitat for upland bird species across the state
- Wildlife Habitat Maintenance - \$750,000 State Special Revenue – This appropriation provides funds for the maintenance of wildlife lands, including monitoring for compliance with conservation easements
- Migratory Bird Stamp Program – \$625,000 State Special Revenue – This appropriation provides for the protection and enhancement of wetland habitat
- Motorboat Recreation - \$4,305,000 Total (\$2,305,000 State Special Revenue, \$2,000,000 Donations and Grants) – This authorization will provide funds for needed improvements at motorboat sites, including road and ramp maintenance, and related facilities. Spending authority for grants and donations will provide the opportunity for the construction of a cooperative project with the University of Montana to develop a park site on Flathead Lake
- Cultural & Historical Parks - \$2,545,000 Total (\$2,245,000 State Special Revenue, \$300,000 Donations) – The appropriation of state special revenues will fund rehabilitation of facilities, infrastructure,

interpretive displays, and roads. Spending authority for donations is authorized to provide the opportunity to utilize local funds for the construction of a bridge across Lolo Creek within Traveler's Rest State Park

- Grant Programs / Federal Projects - \$5,330,000 Total (\$330,000 State Special Revenue, \$5,000,000 Federal Special Revenue) – This project includes projects funded through state OHV grants, Federal LWCF and Recreational Trails grants and Federal Wallop-Breaux grants
- Fishing Access Sites Acquisitions - \$750,000 Total (\$650,000 State Special Revenue, \$100,000 Federal Special Revenue) – This appropriation funds projects that enable the department to acquire public interest in lands for angler access to public water ways
- Habitat Montana - \$5,430,000 State Special Revenue – This appropriation provides for the acquisition of wildlife habitat via easement, lease, or fee
- FWP Dam Repair - \$264,000 State Special Revenue – This appropriation funds the repair of FWP-owned dams

Department of Military Affairs

- Admin Facilities Repair, Maintenance & Improvements – \$800,000 State Special Revenue - This appropriation funds projects that provide maintenance, repair, and improvements at FWP facilities statewide

Department of Transportation

- Maintenance, Repair and Small Projects, Statewide – \$3,515,000 State Special Revenue - This appropriation provides funding for routine/annual preventive maintenance and small construction projects

HB 299 – Bonded Projects

Bond authority in the amount of \$5.1 million was authorized for one Department of Transportation project in HB 299. Initially, the single project was the only long-range building program bonded project recommended by the executive. The Fifty-ninth Legislature did not make any changes to HB 299, but they approved additional long-range building program bonded projects in HB 540. The short description of the project included in HB 299 is seen below.

Department of Transportation

- Equipment Storage Buildings, Statewide – \$5,100,000 Bond Proceeds - This appropriation provides funding for the construction of new equipment storage buildings at various locations throughout the state. These buildings will house road maintenance equipment and personnel. The appropriation of bond proceeds augments state special revenue of \$635,000 appropriated in HB 5. Total appropriations for equipment storage buildings in the 2007 biennium are \$5,735,000

HB 540 – Bonded Projects

Bond authority in the amount of \$68 million for projects amounting to \$67.5 million were authorized in HB 540. Of the \$67.5 million, \$48 million was authorized for the long-range building program. The remaining \$19.5 million of bond authority was for construction of the St. Mary's water system, \$10 million that is contingent upon federal authorization and appropriation for the project, and \$9.5 million for the Ft. Belknap water contract. A brief description of the bonded long-range building program projects included in HB 540 is seen below.

Department of Administration

- Montana Historical Society Building, Helena – \$7,500,000 Bond Proceeds - This appropriation provides funding for the design and construction of a new Montana Historical Society building. The appropriation of bond proceeds augments donation-spending authority of \$30,000,000 authorized in HB 5. Total appropriations and authorizations for the new historic building in the 2007 biennium are \$37,500,000
- UM-Helena College of Technology Addition, Helena – \$7,500,000 Bond Proceeds - This appropriation provides funds to design and construct renovations and additions to the existing school

- MBMG/Petroleum Building, Butte - \$9,000,000 Bond Proceeds – This appropriation provides funds to design and construct a new building. The authorization augments \$5,400,000 of legislative authorization in HB 5. Total appropriations and authorizations for the new building in the 2007 biennium are \$14,400,000
- Great Falls College of Technology Renovation/Addition, Great Falls – \$11,000,000 Bond Proceeds - This appropriation provides funds to design and construct renovations and additions to the existing school
- MSU-Billings College of Technology Renovation/Addition, Billings – \$9,000,000 Bond Proceeds - This appropriation provides funds to design and construct renovations and additions to the existing school
- MSU Agricultural Experiment Station Projects, Statewide – \$500,000 Bond Proceeds - This appropriation provides funds to design and construct numerous small projects and make improvements to agricultural experiment stations across the state. The appropriation of bond proceeds augments cash program appropriations of \$1,124,350 in HB 5. Total appropriations for agricultural experiment station projects in the 2007 biennium are \$1,624,350
- Gaines Hall Renovation Phase 1, MSU-Bozeman – \$3,500,000 Bond Proceeds - This appropriation provides funds to design and construct an adaptive renovation of the north wing and to complete the design of the adaptive renovation of the south wing

OTHER LEGISLATION AND VOTER INITIATIVES

Initiative 149

Initiative 149, passed by the voters in November and is effective January 1, 2005, increased the tax on cigarettes. As a result, the distribution percentage to the LRBP fund was reduced to hold the fund harmless. Where the fund had received 4.3 percent of a 70-cent tax, it will now receive 2.6 percent of the \$1.70 tax. The change resulted in a small increase in funding in FYs 2005, 2006, and 2007.

HB 79

HB 79 makes permanent Habitat Montana, the habitat acquisition program that authorizes the FWP Commission to secure, develop, and maintain wildlife habitat. Land acquisition for this program is authorized in the Long-Range Building Program.

HB 643

HB 643 prohibits smoking in all public schools and in all places where the public is free to enter. Bars are excluded from the provisions until September 30, 2009. The prohibition is expected to reduce cigarette consumption and the associated tax revenues by 0.75 percent annually. As a result, LRBP cigarette tax revenues are reduced by \$7,176 in FY 2006 and \$13,845 in FY 2007.

SB 58

SB 58 provides additional flexibility to the long-range building bond program, eliminates obsolete statutory codes, and increases the statutory time allowed for bond anticipation notes. The legislation removes some of the requirements relating to the “character” of bonds, allowing some flexibility in the way bond issues will appear in the future. It also allows the board of examiners to pay the costs of refunding bonds with the proceeds of the bonds or from the general fund, where before this obligation fell on the bond purchaser. The legislation also removes the requirement that all bonds are signed by the board of examiners (with either true or facsimile signatures) under the state seal. Finally, the legislation extends the allowed time that bond anticipation notes may be issued from one year to three years.

STATE BUILDING ENERGY CONSERVATION PROGRAM

PROGRAM DESCRIPTION

The State Building Energy Conservation (SBEC) program, operated by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature. According to the State Building Energy Conservation Act, codified in Title 90, Chapter 4, part 6, MCA, the program is designed to reduce operating costs for state facilities by identifying and funding cost-effective energy efficiency improvement projects. Energy efficiency improvements include:

- Replacing old, inefficient boilers
- Upgrading inefficient lighting
- Increasing ventilation system efficiency
- Insulating buildings
- Providing more effective temperature controls
- Upgrading inefficient water systems

Until FY 2004, the definitions for Title 90, Chapter 4, part 6, MCA, allowed only energy conservation projects to be included in the SBEC program. In 2003, the Fifty-eighth Legislature amended the statute to define energy cost savings as “savings in utility costs to a state agency”. Consequently, water conservation projects can now be funded through the program.

Through the SBEC program, the state issues general obligation (G.O.) bonds, uses the bond proceeds to pay for energy efficiency improvements, and then uses the resulting energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service payments. Excess savings are transferred to the Long-Range Building Program (LRBP). To date, 61 energy conservation projects have been completed through the SBEC program, and additional projects are in various stages of completion. Since program inception, the state has spent a total of \$4.4 million in oil overcharge funds and \$10 million in G.O. bond proceeds to fund the projects.

Since the SBEC program was started in FY 1994 and continuing through FY 2004, the SBEC program has captured energy savings of \$7.5 million, and the anticipated savings for FY 2005 adds another \$0.9 million to the total. All savings that remain after the DEQ pays interest and principal on the related bond issues are “swept” into the LRBP to fund additional projects. The estimated sweep for the next biennium is \$159,741 but future energy savings sweeps are expected to increase as more initial bonds mature because the project debt service payments will end. Program requirements ensure that conservation measures have a service life of 15 years. However, energy savings are expected through the life of the project.

SUMMARY OF LEGISLATIVE ACTION

Through HB 12, the legislature authorized the state Board of Examiners to issue up to \$3.75 million in G.O. bonds for the SBEC program. The legislature approved a biennial appropriation to DEQ amounting to \$400,000 from the bond proceeds to fund the analysis, design, and program administration. Figure 8 contains a list of projects approved for the 2007 biennium. Cost estimates for these projects were not provided to the legislature, although the legislature was assured that all projects are confirmed to provide adequate savings in energy costs to fully fund the debt service of the bonds required to provide the funding for each project.

Figure 8
State Building Energy Conservation Program
Project Authorizations - 2007 Biennium

| Agency / Project Location | Project |
|---|---|
| University of Montana Petroleum Building-Montana Tech, Butte | Lighting improvements |
| Department of Administration Mitchell Building, Helena | Building improvements |
| Museum Building, Helena | Boiler and control improvements |
| Department of Corrections Men's Prison, Deer Lodge | High-side kitchen ventilation and airconditioning improvements |
| Women's Prison, Billings | Boiler replacement |
| Department of Fish Wildlife and Parks Miles City Headquarters Building, Miles City | Lighting and other improvements |
| Department of Public Health and Human Services MT Mental Health & Nursing Care Center, Lewistown | Phase II boiler upgrade |
| School for the Deaf and Blind Aspen Hall, Great Falls | Irrigation and upgrades |
| Montana State University Pershing and Brockman Halls-Northern, Havre | Campus irrigation through well water |
| McMullen Hall, Billings | Boiler replacement |
| University of Montana Health Sciences Building, Missoula | Ground water cooling and heating, ventilation, and airconditioning improvements |
| Western, Dillon | Wood-fired boiler |

All of the proposed HB 12 projects have been coordinated with the Long-Range Building Program, as directed in statute.

In addition to the projects listed above, HB 12 affords DEQ the option of expending funds during the biennium "to respond to energy saving opportunities." In other words, should energy efficiency projects arise during the interim that would become unfeasible or uneconomical if not pursued until the next legislature, DEQ has the authority to move forward as long as funding is available.

HB 5 contains language that requires DEQ to review capital projects for potential inclusion in the state energy conservation program. If a project is found to result in energy improvements, it must be submitted to the energy conservation program for co-funding consideration. Co-funding provided under the energy conservation program must be used to offset or add to the authorized funding for the project, and the amount will depend on the annual utility savings resulting from the facility improvement.

EXECUTIVE BUDGET COMPARISON

The Fifty-ninth Legislature increased the bond authority from the executive budget recommendation of \$2.5 million to \$3.75 million. This action will allow DEQ to finance a greater number of projects during the 2007 biennium. The legislature agreed that as a result of higher energy prices, agency requests for conservation projects would increase. Additionally, six new energy conservation projects were included in HB 12, bringing the total number of known projects to 11 in the 2007 biennium.

FUNDING

The SBEC program is entirely funded with general obligation bonds. Energy savings realized from the projects are transferred to the DEQ to reimburse the department for bond principle and interest and administrative costs.

The first issuance of bonds for the SBEC occurred in 1993. The 1993 issue of \$1.5 million, a 10-year issue, reached maturity in late FY 2004. Since the first issue in 1993, the Board of Investments has issued five additional bonds to provide SBEC program funding. The second SBEC issue will reach maturity and a seventh bond will be issued in FY 2005. At the beginning of FY 2005, total issuance of bonded debt for the program is \$8.5 million. Figure 9 shows the current annual debt service of bonds that have been issued through FY 2004. Included in Figure 9 are the estimated debt service obligations for the issuance of the \$3.75 million of bonds authorized in the 2005 session. The issuance schedule of the bonds could vary and estimated rates of interest could change.

Figure 9
SBEC Debt Service Obligations
New Debt Service - 2007 Biennium

| FY | Current SBEC | Total New SBEC Debt | Total Annual SBEC Debt |
|-------|-----------------|------------------------|---------------------------|
| | Debt Service | Service | Service |
| 2006 | \$700,815 | \$0 | \$700,815 |
| 2007 | 721,074 | 225,138 | 946,212 |
| 2008 | 745,230 | 450,276 | 1,195,506 |
| 2009 | 591,824 | 450,276 | 1,042,100 |
| 2010 | 596,029 | 450,276 | 1,046,305 |
| 2011 | 593,250 | 450,276 | 1,043,526 |
| 2012 | 446,691 | 450,276 | 896,967 |
| 2013 | 443,155 | 450,276 | 893,431 |
| 2014 | 439,337 | 450,276 | 889,613 |
| 2015 | 296,850 | 450,276 | 747,126 |
| 2016 | 295,800 | 450,276 | 746,076 |
| 2017 | 0 | 225,138 | 225,138 |
| Total | \$5,870,054 | \$4,502,760 | \$10,372,814 |

Assumptions used to derive the debt service schedule above are as follows:

- o \$1,875,000 in bonds will be issued in FY 2006
- o \$1,875,000 in bonds will be issued in FY 2007
- o Bonds will mature in 10 years
- o The interest rate for 10 year bonds will be 3.75 percent
- o The first debt service payment will occur in FY 2007
- o Payments will continue through 2017

Note: It is important to note that these debt service payments are estimates. If interest rates and/or bond issuance timelines change, these payments may change as a result. SBEC debt service payments will be made from the statutory appropriation for debt service.

OTHER LEGISLATION

HB 212

In developing a program similar to the State Building Energy Conservation program, HB 212 allows local governments to enter into energy performance contracts. Qualified providers will develop energy performance contracts that will guarantee conservation-related cost savings. The savings will be used to pay for the conservation measures, including financing charges incurred over the life of the contracts. Contracts will require monitoring energy reductions and cost savings attributable to the conservation measures. Finally, the contracts will require reports to the local government units, documenting the performance of the conservation measures.

TREASURE STATE ENDOWMENT

PROGRAM DESCRIPTION

The Treasure State Endowment Program (TSEP) is a state infrastructure-financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from investment earnings on coal severance tax funds. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects that will:

- Create jobs for Montana residents
- Promote economic growth in Montana by helping to finance the necessary infrastructure
- Encourage local public facility improvements
- Create a partnership between the state and local governments to make necessary public projects affordable
- Support long-term, stable economic growth in Montana
- Protect future generations from undue fiscal burdens caused by financing necessary public works
- Coordinate and improve infrastructure financing by federal, state, local government, and private sources
- Enhance the quality of life and protect the health, safety, and welfare of Montana citizens

Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm water systems, solid waste disposal and separation systems, and bridges.

Eligible applicants include cities, towns, counties, and tribal governments, or county or multi-county water, sewer, or solid waste districts. TSEP applications are submitted to the Department of Commerce on a biennial basis where they are evaluated according to a two-step process and are ranked according to: 1) seven statutory priorities, and 2) relative financial need. The seven statutory priorities focus on projects that:

- Solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards
- Reflect greater need for financial assistance than other project
- Incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs
- Reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources
- Enable local governments to obtain funds from sources other than TSEP
- Provide long-term, full-time job opportunities for Montanans, provide public facilities necessary for the expansion of a business that has a high potential for financial success, or maintain the tax base or encourage expansion of the tax base
- Are high local priorities and have strong community support

The Department of Commerce (DOC) administers the TSEP grants and makes recommendations for grant awards to the Governor. The Governor makes funding recommendations to the Montana legislature. The legislature makes the final decisions on the award of TSEP funds.

SUMMARY OF LEGISLATIVE ACTION

The 2005 Legislature passed HB 11 providing the funding for the TSEP grants program and the TSEP regional water program. Legislative actions on the two programs are discussed below in detail.

TSEP Grants

The 2005 Legislature appropriated \$16.2 million for 40 infrastructure projects in HB 11 in the 2007 biennium. This represents a slight decrease, 3.6 percent, from the previous biennium and is driven by anticipated interest earnings from the TSEP trust. Figure 10 shows the historic TSEP grant and loan awards since the program inception.

While the legislature appropriated \$16.2 million, actual TSEP grant authorizations were only \$15.96 million. The legislature chose to appropriate total TSEP funds available for grants, instead of directly appropriating the individual grant amounts. This action will allow DOC some flexibility in funding grants below the actual funding line, should any higher ranked projects request termination of their grant. Additionally, this action made clear the total appropriation from the TSEP account for the purpose of calculation of the 2007 biennium spending limitation.

Figure 10
Treasure State Endowment Program
Grant and Loan Awards by Biennium
(in millions)

| Biennium | Number of Projects Approved & Funded | | Grant Awards | Loan Awards |
|----------|---|-------|-----------------|----------------|
| | Grants | Loans | | |
| 1995 | 20 | 4 | \$ 3.966 | \$0.168 |
| 1997 | 15 | 0 | 4.991 | - |
| 1999 | 22 | 4 | 9.111 | 1.905 |
| 2001 | 21 | 0 | 12.596 | - |
| 2003 | 34 | 0 | 15.172 | - |
| 2005 | 55 | 0 | 16.826 | - |
| 2007 | 40 | 0 | 15.963 | - |

Figure 11 on the next page lists the grant awards authorized for the 2007 biennium. HB 11 provides:

“If funds deposited in the treasure state endowment special revenue account during the biennium ended June 30, 2007, are insufficient to fully fund the projects numbered 1 through 40, ...the 61st Legislature is encouraged to give priority to funding to these projects, before funding any new projects.”

The legislature authorized a \$100,000 emergency appropriation from the treasure state endowment special revenue account for any critical infrastructure projects that might arise in the biennium. The legislature also appropriated \$600,000 for pre-engineering grants.

TSEP Loans

The Fifty-ninth Legislature amended section 90-6-703, MCA to eliminate the TSEP loan program. Historically, only eight loans have been authorized by the legislature since the program inception in FY 1994. None of the successful applicants opted to secure a TSEP loan. As a result, TSEP loans will no longer be available for local water, sewer, and bridge projects. In the future, this action will save the program approximately \$50,000 per biennium, the amount appropriated to the Department of Natural Resource and Conservation from TSEP interest earnings for the administration of TSEP loans (refer to funding Figure 10). In the 2007 biennium, the HB 2 appropriation for the loan program was not removed from the budget.

EXECUTIVE BUDGET COMPARISON

The executive budget recommended grant funding at approximately \$16.5 million. The legislature appropriated grant funds of \$16.2 million, a reduction of approximately \$300,000. This comparison overstates the difference between the executive and legislative budgets, because the legislature placed the dollar amount of funds available for appropriation into HB 11. The executive budget did not include a total funding figure in the bill. As a result, all 42 projects originally included in HB 11 were necessarily included in the appropriation calculation of the executive recommendation. However, three of the projects were included for appropriation only in the event that sufficient funds became available. A comparison of executive budget grants 1 through 39 and the 40 grants appropriated by the legislature would show that the legislature added one project grant and increased grant funding by \$600,000. The legislature included language that would allow three additional grants, numbered 41 through 43, to be funded should any of the grant project appropriations numbered 1 through 39 withdraw their grant request.

Figure 11

Treasure State Endowment Program
Grant Authorizations - 2007 Biennium

| Rank Order | Applicant | Project Type | Grant Recommended | Grant Authorized | Cumulative Grant Award |
|---------------|---------------------------------|------------------|----------------------|---------------------|---------------------------|
| 1 | St. Ignatius | Wastewater | \$500,000 | \$500,000 | \$500,000 |
| 2 | Rudyard District | Wastewater | 524,503 | 524,503 | 1,024,503 |
| 3 | Carter District | Water | 500,000 | 500,000 | 1,524,503 |
| 4 | Cascade | Water | 500,000 | 500,000 | 2,024,503 |
| 5 | Madison County | Bridge | 179,911 | 179,911 | 2,204,414 |
| 6 | Lewis & Clark County | Wastewater | 288,757 | 288,757 | 2,493,171 |
| 7 | Stillwater County | Bridge | 399,853 | 399,853 | 2,893,024 |
| 8 | Seeley Lake District | Wastewater | 500,000 | 500,000 | 3,393,024 |
| 9 | Dodson | Wastewater | 427,500 | 427,500 | 3,820,524 |
| 10 | Conrad | Wastewater | 500,000 | 500,000 | 4,320,524 |
| 11 | Sweet Grass County | Bridge | 144,989 | 144,989 | 4,465,513 |
| 12 | Havre | Water | 500,000 | 500,000 | 4,965,513 |
| 13 | Powell County | Bridge | 158,348 | 158,348 | 5,123,861 |
| 14 | Mineral County | Bridge | 80,090 | 80,090 | 5,203,951 |
| 15 | Glacier County | Bridge | 500,000 | 500,000 | 5,703,951 |
| 16 | Malta | Wastewater | 500,000 | 500,000 | 6,203,951 |
| 17 | Crow Tribe | Wastewater | 500,000 | 500,000 | 6,703,951 |
| 18 | Libby | Wastewater | 500,000 | 500,000 | 7,203,951 |
| 19 | Big Horn County | Bridge | 142,500 | 142,500 | 7,346,451 |
| 20 | Custer District | Wastewater | 500,000 | 500,000 | 7,846,451 |
| 21 | Hill County | Bridge | 450,750 | 450,750 | 8,297,201 |
| 22 | Glasgow | Wastewater | 500,000 | 500,000 | 8,797,201 |
| 23 | Valier | Wastewater | 500,000 | 500,000 | 9,297,201 |
| 24 | Sheridan | Water | 500,000 | 500,000 | 9,797,201 |
| 25 | Beaverhead County | Bridge | 84,886 | 84,886 | 9,882,087 |
| 26 | Whitefish | Water | 457,500 | 457,500 | 10,339,587 |
| 27 | Richland County | Bridge | 453,841 | 453,841 | 10,793,428 |
| 28 | Upper-Lower River Road District | Water/Wastewater | 500,000 | 500,000 | 11,293,428 |
| 29 | Laurel | Wastewater | 500,000 | 500,000 | 11,793,428 |
| 30 | Ennis | Wastewater | 204,894 | 204,894 | 11,998,322 |
| 31 | Choteau | Water | 500,000 | 500,000 | 12,498,322 |
| 32 | Missoula County | Bridge | 275,172 | 275,172 | 12,773,494 |
| 33 | Miles City | Water | 500,000 | 500,000 | 13,273,494 |
| 34 | Yellowstone County | Bridge | 187,800 | 187,800 | 13,461,294 |
| 35 | Ranch District | Water | 360,000 | 500,000 | 13,961,294 |
| 36 | Hysham | Water | 462,359 | 462,359 | 14,423,653 |
| 37 | Carbon County | Bridge | 97,100 | 97,100 | 14,520,753 |
| 38 | Spring Meadows District | Water | 487,500 | 487,500 | 15,008,253 |
| 39 | Woods Bay District | Water | 500,000 | 500,000 | 15,508,253 |
| 40 | Bigfork District | Wastewater | 0 | 460,000 | 15,968,253 |
| 41 | Circle | Wastewater | 500,000 | - | 15,968,253 |
| 42 | Fairfield | Wastewater | 126,000 | - | 15,968,253 |
| 43 | Sun Prairie District | Water | 500,000 | - | 15,968,253 |
| Total | | | \$16,494,253 | \$15,968,253 | |

*Grant awards contingent on availability of TSEP funds.

FUNDING

In July 1993, \$10.0 million was transferred from the coal severance tax permanent trust fund to the treasure state endowment trust fund. In addition, the trust receives 75 percent of coal severance tax revenues deposited into the permanent trust through fiscal 2003. This percentage was reduced to 50 percent starting July 2003 and will continue at that level until June 30, 2013. Funding for TSEP grants comes from the investment earnings on the treasure state endowment trust, which is deposited into a TSEP state special revenue account. TSEP investment earnings for the 2007 biennium are projected to total \$17.7 million.

| Figure 12 | |
|--|---------------------|
| Treasure State Endowment Program | |
| Fund Balance Projection - 2007 Biennium | |
| Estimated Beginning Fund Balance (7/01/2005) | \$26,208 |
| Revenue Projections ¹ | |
| 2006 Investment Earnings | 8,578,934 |
| 2007 Investment Earnings | <u>9,071,959</u> |
| 2007 Biennium Revenues | 17,650,893 |
| 2007 Biennium Funds Available | <u>\$17,677,101</u> |
| Biennial Expenditures | |
| Administration - Commerce | (1,033,630) |
| Administration - DNRC | (56,000) |
| Emergency Grants | (100,000) |
| Water/Sewer Pre-engineering - SA | <u>(600,000)</u> |
| Total Appropriated Expenditures | (1,789,630) |
| Grants Terminated/Reduced in HB 11 ² | <u>138,184</u> |
| Balance Available for Grants | \$16,025,655 |
| Grants Authorized in HB 11 | <u>15,968,253</u> |
| June 30, 2007 Projected Ending Fund Balance: | <u>\$57,402</u> |
| ¹ Based on HJR 2 estimates | |
| ² Terminated/reduced grant awards (Chapter 435, Laws of 2001) from Florence County Water and Sewer Dist., \$500,000, and Essex Water and Sewer Dist., \$225,000. Total terminated grants are reduced by amounts required to complete grant appropriations for the 2005 biennium [(\$500,000 + \$125,000) - \$486,816 = \$138,184]. | |

Figure 12 shows the projected fund balance for the treasure state endowment state special revenue account for the 2007 biennium. Total new revenue and carryover funds in this account are estimated at \$17.7 million for the biennium. After deducting the administrative appropriations, the emergency grants and pre-engineering grants and increasing the balance by the terminated and reduced grant appropriations approved in earlier biennia, \$16 million is available for grants. As such, available grant funds will fund only 40 of the 43 grants authorized by the legislature.

Pay plan increases approved in the 2005 legislative session reduced the amount of funds available for grants from \$16.2 million, as appropriated in HB 11, to \$16 million. Although sufficient funds are available for the grants authorized in HB 11, \$15.97 million, the remaining balance is lower than expected. Consequently, project awards cannot exceed \$16 million unless interest rates generate higher earnings than projected in HJR 2.

TREASURE STATE ENDOWMENT REGIONAL WATER SYSTEM

PROGRAM DESCRIPTION

The 1999 Legislature created the treasure state endowment regional water system fund as a new account within the coal tax permanent trust. The TSEP Regional Water System, established in 90-6-715, MCA, was created to:

“...finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stockwater for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stockwater for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.”

Although no state funds have been expended to date, two projects have been authorized from these funds: the Fort Peck Indian Reservation/Dry Prairie Regional Water System (DPRWS) and the Rocky Boy's Indian Reservation/North Central Montana Regional Water System (NCMRWS). The federal government provides current estimates for the projects. DPRWS is estimated at a total cost of \$220.0 million, which includes a local match of \$18.4 million. The NCMRWS project is expected to cost \$229.0 million, with a local match of \$18.4 million.

SUMMARY OF LEGISLATIVE ACTION

In the 2007 biennium only, construction cost for regional water projects will be funded with bond proceeds authorized in HB 748. This action was taken for several reasons including the ability to have funds available as soon as the federal match is obtainable and reducing state special appropriations in the expenditure limitation calculation. For a further description of this action, see the “Other Legislation” section below.

EXECUTIVE BUDGET COMPARISON

The executive budget did not include an appropriation for the TSEP regional water program.

FUNDING

Since July 1, 1999, 25 percent of the deposits to the coal severance permanent trust have flowed into the TSEP regional water trust account. The interest earned from the fund is deposited into the account authorized in Title 90, Section 6, part 7, MCA, to provide a match for federal and local monies for the purpose of developing large regional water systems. As shown in Figure 13, interest earnings in the 2007 biennium are projected to be \$3.8 million. The 2005 Legislature appropriated \$1,082,966 for administrative expenses in HB 2. In HB 11, the 2005 Legislature changed statutes relating to account usage to allow bonded debt service to be paid from the fund, and funding of the match to federal and local monies will be accomplished with bond proceeds for the 2007 biennium. Debt service for the bonds authorized in HB 748 will be an obligation of the TSEP regional water account. According to the fiscal note calculated for HB 748, the cost of the debt service for the bonds is \$380,125 annually. The first debt service payment is expected in FY 2007. As a result, the July 1, 2007 ending fund balance is estimated at \$4.9 million.

Figure 13

TSEP Regional Water System Fund (02015)
Fund Balance Projection - 2007 Biennium

| | |
|---|---------------------|
| Estimated TSEPRWS Beginning Fund Balance (7/1/2005) | \$ 2,639,426 |
| Revenue Projections ¹ | |
| 2006 Investment Earnings | \$1,757,000 |
| 2007 Investment Earnings | <u>2,007,000</u> |
| 2007 Biennium Revenues | 3,764,000 |
| 2007 Biennium Funds Available | 6,403,426 |
| Biennial Expenditures ² | |
| Administration - DNRC | (1,082,966) |
| Debt Service | <u>(380,125)</u> |
| Total Appropriated Expenditures | (1,463,091) |
| June 30, 2007 Projected Ending Fund Balance: | <u>\$ 4,940,335</u> |

¹Based on HJR 2 Projections

²Appropriated in HB 2 and statute

HB 748 obligates the TSEP regional water program account for the debt service of bonds issued for a match to federal and local dollars to construct regional water projects. Assumptions used to develop the fiscal note for HB 748 do not match the expected bond issuance explained by DNRC. As a result, projected TSEP regional water system account expenditures for the 2007 biennium, as observed in Figure 13 above, exceed anticipated expenditures. Assumptions used to generate the fiscal note for HB 748 included, among other things, an issuance of \$5 million in general obligation bonds, a bond sale in the spring of 2006, an interest rate of 4.45 percent, and a maturity of 20 years. Under these assumptions, the cost of the bond, in interest due, is \$2.6 million, more than half the amount issued. The fiscal impact of this bond issue is likely to differ significantly from the fiscal note, if the department follows through with the plans discussed with the legislature.

DNRC, the administering agency, stated before the legislature their intent to issue bond anticipation notes to provide the match to federal and local monies for construction projects as the monies become available and construction plans are finalized. Plans further dictate that at the end of the 2007 biennium, a bond will be issued to settle any bond anticipation notes that were issued through the biennium. The department further explained their expectation to sell one single bond issue with a ten-year maturity.

Using the assumptions of the scenario outlined by the department: \$5 million in general obligation bonds, a bond sale in spring of 2007, an interest rate of 3.75 percent, and a maturity of 10 years, annual debt service payments will be approximately \$600,367, approximately 1.7 percent greater than the annual debt service for a 20 year maturity bond. Furthermore, the cost of the bond will be approximately \$1.0 million, less than half the cost interest for a 20-year bond issue. Finally, no debt service would become due until FY 2008.

OTHER LEGISLATION

HB 748

The Fifty-ninth Legislature approved HB 748, which provides bond authority for a match to federal dollars to construct TSEP regional water system building projects. Consequently in the 2007 biennium, interest earnings from the TSEP regional water trust will not be used to fund the federal match for regional water system construction.

This action was taken for several reasons including having the funds available as soon as the federal match is obtainable and reducing state special appropriations in the expenditure limitation calculation. Funds on hand for construction costs in the 2007 biennium were estimated to be \$5.3 million at the time of the Legislative Fiscal Division budget analysis. The interest component of the \$5.3 million is a function of interest earned throughout FY 2006 and FY 2007; the entire earnings would not be accumulated until the end of FY 2007. In authorizing bond authority for construction appropriations, the legislature provided the program with the ability to begin construction as soon as the federal match dollars are given to the state. Without this authority, the state would be forced to wait until sufficient interest was earned off the TSEP water trust for the federal/local match. A second reason for this action was to reduce the total of state special appropriation. By removing the TSEP regional water project appropriation in HB 11, state special appropriations were reduced by \$5.3 million for the expenditure limitation calculation (see Volume 1 of the Legislative Fiscal Report for further information on the expenditure limitation issue). Finally, interest on the unexpended balance of the TSEP regional water account will increase future earnings in the trust account, resulting in a greater amount of funds available for appropriation in future biennia.

This action applies to the 2007 biennium only, and next biennium funds will again be appropriated from the TSEP regional water account for the construction costs of regional water projects.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

PROGRAM DESCRIPTION

Resource indemnity trust (RIT) funds are a major source of revenue for several natural resource agencies and programs, including the Renewable Resource Grant and Loan Program (RRGL) and the Reclamation and Development Grant Program (RDGP). The RIT receives income from two sources: 1) the resource indemnity and ground water assessment tax (RIGWAT); and 2) an allocation of oil and gas tax revenues. The Board of Investments invests funds deposited in the RIT and some of the investment earnings are used to fund the RRGL and RDGP. For more detailed information on the allocation and expenditure of other RIT proceeds and RIT interest earnings, see the Department of Natural Resources and Conservation (DNRC) summary in Section C of the LFD Fiscal Report, Volume 4.

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.”

The DNRC administers the RRGL, which involves a biennial application process. DNRC and a technical review team initially evaluate each application for economic and technical feasibility, as well as to ensure that proposed projects are located in Montana. Qualifying applications are then examined according to six criteria:

- Financial feasibility
- Adverse environmental impact
- Technical merit
- Public benefit
- Need
- Urgency

DNRC submits a list of funding recommendations to the Governor, who reviews the list and submits recommendations to the legislature. Funding for projects comes in the form of grants and/or loans made to public and private entities. The legislature has final approval for the awarding of RRGL grants (HB 6) and loans (HB 8).

SUMMARY OF LEGISLATIVE ACTION

The 2005 Legislature passed two appropriation bills for the RRGL Program. HB 6 contains appropriations for renewable resource grants, and HB 8 contains appropriations for renewable resource loans. HB 6 grant applications that are authorized by the legislature but will not receive funding due to potential fund shortages are eligible to apply for a loan as provided in HB 8.

HB 6 - Grants

Figure 14 on the following page shows the RRGL grants awarded for the 2007 biennium. The 2005 Legislature authorized \$4.6 million to fund a prioritized list of 59 projects. While 59 projects are approved for funding, only the first 47 will be funded with the revenues available. The 2005 Legislature intends that each of the grant projects listed after the City of Livingston (flood damage reduction study) will receive grant funds only if a higher priority project withdraws all or part of their project need.

EXECUTIVE BUDGET COMPARISON

Figure 14 also shows a priority listing of the RRGL grants recommended by the executive for the 2007 biennium. DNRC received a total of 63 applications. HB 6, as introduced, included a list of 59 projects estimated to cost \$5.7 million. The executive recommended \$4 million of funding for the first 40 projects. In addition, the executive

recommendation includes \$100,000 to fund the DNRC emergency grant program and \$300,000 for project planning grants awarded by the department over the biennium.

The Fifty-ninth Legislature made several changes to the executive request. First, the legislature increased the number of grants that could be funded by providing the program with a one-time general fund transfer of \$600,000. This action allowed the legislature to fund six additional projects. Second, the legislature struck one grant request from the priority listing. The Sweet Grass County Conservation District, Middle Glaston Reservoir study was eliminated because individuals stating opposition to the project came forward with credible arguments. Additionally, one project that did not have the needed points to be placed in the listing of priorities was granted a priority listing by the legislature. The Missoula County, Grant Creek restoration and flood mitigation project, was added to the list at number 48. While this project was not given a high enough priority to be guaranteed funding, if any other project is withdraw it could receive funded.

In summary, the legislature increased the number of funded grants by 6 with the addition of a general fund transfer of \$600,000 and replaced one grant request included in the original bill with one that was previously not included.

Figure 14
Renewable Resource Grants
Grant Authorizations - 2007 Biennium

| Rnk | Applicant | Project Type | Grant Requested | Grant Authorized | Cumulative |
|-----|--|----------------|-----------------|------------------|------------|
| 1 | Milk River Joint Board of Control Halls Coulee Siphon Repair | Irrigation | \$100,000 | \$100,000 | \$100,000 |
| 2 | Spring Meadows County Water District Drinking Water Project | Drinking Water | 100,000 | 100,000 | 200,000 |
| 3 | Montana State University Four Corners Surface and Groundwater Study | Water Mgmt | 99,618 | 99,618 | 299,618 |
| 4 | Beaverhead CD Spring Creek Restoration | Water Mgmt | 100,000 | 100,000 | 399,618 |
| 5 | St. Ignatius, Town of Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 499,618 |
| 6 | DNRC Deadmans Basin Supply Canal Rehab Project | Irrigation | 100,000 | 100,000 | 599,618 |
| 7 | Jefferson Valley CD Jefferson River Restoration | Water Mgmt | 95,469 | 95,469 | 695,087 |
| 8 | Carter Chouteau County WSD Drinking Water Project | Drinking Water | 100,000 | 100,000 | 795,087 |
| 9 | Sheridan, Town of Drinking Water Project | Drinking Water | 100,000 | 100,000 | 895,087 |
| 10 | Lower Yellowstone Irrigation District Lower Yellowstone Canal | Irrigation | 100,000 | 100,000 | 995,087 |
| 11 | DNRC Frenchman Dam Rehab Study | Dam | 100,000 | 100,000 | 1,095,087 |
| 12 | DNRC Martinsdale North Dam Riprap Program | Dam | 100,000 | 100,000 | 1,195,087 |
| 13 | Seeley Lake Sewer District Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 1,295,087 |
| 14 | Upper/Lower River Road WSD Drinking Water and Wastewater Project | Drinking/Waste | 100,000 | 100,000 | 1,395,087 |
| 15 | Buffalo Rapids Irrigation District Canal Automation | Irrigation | 88,955 | 88,955 | 1,484,042 |
| 16 | Choteau, City of Drinking Water Project | Drinking Water | 100,000 | 100,000 | 1,584,042 |
| 17 | Dodson, Town of Wastewater System Improvements | Wastewater | 100,000 | 100,000 | 1,684,042 |
| 18 | Gallatin County Floodplain Delineation Project | Water Mgmt | 100,000 | 100,000 | 1,784,042 |
| 19 | Yellowstone Irrigation District Flow Measurement Project | Irrigation | 100,000 | 100,000 | 1,884,042 |
| 20 | Gardiner-Park County WD Water System Improve - Phase II | Drinking Water | 100,000 | 100,000 | 1,984,042 |

Figure 14 (cont.)

Renewable Resource Grants
Grant Authorizations - 2007 Biennium

| Rnk | Applicant | Project Type | Amount Requested | Grant Authorized | Cumulative |
|-----|--|----------------|------------------|------------------|------------|
| 21 | Liberty County CD Chester Sprinkler Irrigation Project | Irrigation | 100,000 | 100,000 | 2,084,042 |
| 22 | Cascade, Town Water System Improvements | Drinking Water | 100,000 | 100,000 | 2,184,042 |
| 23 | Ranch County WSD Water System Improvements | Drinking Water | 100,000 | 100,000 | 2,284,042 |
| 24 | Libby, City of Cabinet Heights Wastewater Sys Improvements | Wastewater | 100,000 | 100,000 | 2,384,042 |
| 25 | Broadview, Town of Broadview Water Supply Study | Water Mgmt | 99,997 | 99,997 | 2,484,039 |
| 26 | DNRC Martinsdale Outlet Canal Drop Structures | Irrigation | 100,000 | 100,000 | 2,584,039 |
| 27 | Roosevelt County CD Fort Peck Irrigation Quality/Quantity Phase I | Irrigation | 99,995 | 99,995 | 2,684,034 |
| 28 | Buffalo Rapids Irrigation District Improving Efficiency and Quality | Irrigation | 100,000 | 100,000 | 2,784,034 |
| 29 | Paradise Valley ID Turnout Replacement Project | Irrigation | 100,000 | 100,000 | 2,884,034 |
| 30 | Manhattan, Town of Wastewater Treatment Sys Improv - Phase II | Wastewater | 100,000 | 100,000 | 2,984,034 |
| 31 | Woods Bay Homesites County WSD Water System Improvements | Drinking Water | 100,000 | 100,000 | 3,084,034 |
| 32 | Custer Area, Yellowstone County WSD Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 3,184,034 |
| 33 | Fort Belknap Irrigation District Sugar Factory Lateral Project Phase II | Irrigation | 100,000 | 100,000 | 3,284,034 |
| 34 | Laurel, City of Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 3,384,034 |
| 35 | Yellowstone CD Canyon Creek Restoration | Water Mgmt | 100,000 | 100,000 | 3,484,034 |
| 36 | Valier, Town of Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 3,584,034 |
| 37 | Fairfield, Town of Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 3,684,034 |
| 38 | Glasgow Irrigation District Vandalia Dam Improvements Phase III | Dam | 100,000 | 100,000 | 3,784,034 |
| 39 | Ennis, Town of Wastewater Improvement Project Phase II | Wastewater | 100,000 | 100,000 | 3,884,034 |
| 40 | Bighorn CD Alluvial Aquifers of Northern Bighorn Cnty | Water Mgmt | 100,000 | 100,000 | 3,984,034 |
| 41 | Savage Irrigation District Savage Irrigation Rehabilitation Plan | Irrigation | 62,814 | 62,814 | 4,046,848 |
| 42 | Butte-Silver Bow Big Hole River Transmission Line Replacement | Drinking Water | 100,000 | 100,000 | 4,146,848 |
| 43 | Whitefish, City of Drinking Water Project | Drinking Water | 100,000 | 100,000 | 4,246,848 |
| 44 | Circle, Town of Wastewater Improvement Project | Wastewater | 100,000 | 100,000 | 4,346,848 |
| 45 | Black Eagle WASD Water System Improvements | Drinking Water | 50,000 | 50,000 | 4,396,848 |
| 46 | Lewis and Clark CD Florence Canal Rehabilitation | Irrigation | 100,000 | 100,000 | 4,496,848 |
| 47 | Livingston, City of Livingston Flood Damage Reduction Study | Water Mgmt | 100,000 | 100,000 | 4,596,848 |
| 48 | Missoula County Grant Creek Restoration and Flood Mitigation | Water Mgmt | - | 100,000 | 4,696,848 |
| 49 | Liberty County CD Marias Baseline Development Project | Water Mgmt | 100,000 | 100,000 | 4,796,848 |

Figure 14 (cont.)
Renewable Resource Grants
Grant Authorizations - 2007 Biennium

| Rnk | Applicant | Project Type | Amount Requested | Grant Authorized | Cumulative |
|-------|--|----------------|--------------------|--------------------|------------|
| 50 | Hammond Irrigation District | Irrigation | 38,200 | 38,200 | 4,835,048 |
| | Porcupine Creek Siphon Rehab | | | | |
| 51 | Bear Creek, Town of | Drinking Water | 100,000 | 100,000 | 4,935,048 |
| | Water System Improvements | | | | |
| 52 | Ryegate, Town of | Wastewater | 100,000 | 100,000 | 5,035,048 |
| | Wastewater System Improvements | | | | |
| 53 | Sun Prairie Village County WSD | Drinking Water | 100,000 | 100,000 | 5,135,048 |
| | Water System Improvements | | | | |
| 54 | Butte Silver Bow | Water Mgmt | 100,000 | 100,000 | 5,235,048 |
| | Water Master Plan | | | | |
| 55 | DNRC | Water Mgmt | 99,714 | 99,714 | 5,334,762 |
| | Increasing Montana Water Mngt Capacity | | | | |
| 56 | Milk River Joint Board of Control | Dam | 100,000 | 100,000 | 5,434,762 |
| | Lake Sherburne Dam Outlet Works Rehab | | | | |
| 57 | Bigfork County WSD | Wastewater | 100,000 | 100,000 | 5,534,762 |
| | Wastewater System Improvements | | | | |
| 58 | Ruby Valley CD | Water Mgmt | 33,694 | 33,694 | 5,568,456 |
| | Ruby Groundwater Mngt Plan - Phase I | | | | |
| 59 | Cartersville Irrigation District | Irrigation | 100,000 | 100,000 | 5,668,456 |
| | Sand Creek Siphon Rehab Project | | | | |
| Total | | | <u>\$5,568,456</u> | <u>\$5,668,456</u> | |

FUNDING

Funding for the RRGL program is established in 85-1-604, MCA, with the creation of the renewable resource grant and loan state special revenue account. Deposits to this account are made from three sources, including:

- o Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$2.0 million each fiscal year for the purpose of making grants)
- o Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)
- o Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

As shown in Figure 15, projected revenues for the biennium are \$7,064,409. Account revenues include a one-time general fund transfer of \$600,000 and a transfer of revenue from the reclamation and development grant account of \$400,000.

Appropriations from the account are authorized in 85-1-604, MCA and state that appropriations may be made for grants and administrative expenses, including

Figure 15
Renewable Resource State Special Revenue Account (02272)
Fund Balance Projection - 2007 Biennium

| | |
|---|--------------------|
| Estimated Beginning Fund Balance-(7/1/2005) | \$382,026 |
| Revenue Projections and Transfers ¹ | |
| Resource Indemnity Trust Interest - Grant Allocation | \$4,000,000 |
| Resource Indemnity Trust Interest - MSU Northern | 480,000 |
| Resource Indemnity Trust Interest - Additional | 1,034,400 |
| Excess coal tax proceeds from debt service and interest | 516,009 |
| STIP / Other interest | 20,000 |
| Administrative Fees | 14,000 |
| One-time general fund transfer | 600,000 |
| Transfer from Reclamation and Development Grant account | 400,000 |
| 2007 Biennium Revenues | <u>\$7,064,409</u> |
| 2007 Biennium Funds Available | <u>\$7,446,435</u> |
| Biennial Expenditures ² | |
| Grant Administration - DNRC | (458,587) |
| DNRC Centralized Services | (10,000) |
| MSU-Northern Statutory Appropriation | (480,000) |
| Flathead Basin Commission - DNRC | (16,002) |
| Water Court - Judiciary | <u>(1,533,510)</u> |
| Total Appropriated Expenditures | <u>(2,498,099)</u> |
| Balance Available for Grants | <u>\$4,948,336</u> |
| Other Grants, HB 6 | |
| Emergency Grants | (100,000) |
| Project Planning Grants | (300,000) |
| Total Grants | <u>(4,600,000)</u> |
| Grants Authorized in IIB 6 | <u>(5,000,000)</u> |
| June 30, 2007 Projected Ending Fund Balance: | <u>(\$51,664)</u> |

¹IUR 2 recommendations

²HB 2 appropriations

salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. Expenses may be funded before projects. The MSU-Northern and the Judiciary Water Court appropriations are funded with additional allocations of RIT interest that are deposited into the renewable resource state special revenue account. Total administrative costs appropriated from the account are \$2.5 million. The 2005 Legislature appropriated \$5.0 million for grants in the 2005 biennium, including \$100,000 for emergency grants and \$300,000 for project planning grants. The estimated fund balance for June 30, 2007 is a negative \$51,644. As a result, some appropriation may have to be reduced if unexpected revenues do not become available.

Past legislatures have violated statute, 85-1-604, MCA, by using funds in the renewable resource grant account for purposes other than the administration of the grant program and grants. As knowledge of improper account use came to light in the Fifty-ninth Legislature, actions were taken to remedy the situation.

In years of funding shortages, the legislature began using the funds in the renewable resource grant account for other purposes, and that practice has persisted. The original purpose of the account was to fund the costs of renewable resource grant program. Examples of the misuse are apparent in the Figure 17 above. The appropriation of dollars for MSU-Northern, the Judiciary Water court, and others are not allowed under current permanent statute, which says:

- 3) Appropriations may be made from the renewable resource grant and loan program state special revenue account for:
 - a) Grants for designated projects; and
 - b) Administrative expenses, including salaries and expenses for personnel and equipment, office space, and other expenses necessarily incurred in the administration of the grant and loan program.

The expenses under this subsection (3)(b) may be funded before funding of projects.

Two actions were taken to remedy the situation. First, for the 2007 biennium only, HB 6 included a change to 85-1-604, MCA. The change will allow the account funds to be used for administrative costs of other resource programs. Second, because misuse of account funds occur in many of the RIT interest accounts, the legislature requested in HJ 36 that an interim committee conduct a study of the RIT accounts and make recommendations to the Sixtieth Legislature on ways to remedy the problems. For more information concerning this study refer to the Legislative Fiscal Report, section C.

HB 8 – Loans

HB 8 authorizes the issuance of coal severance tax bonds to provide for RRGL projects. Proceeds from the issuance of bonds are used to fund the loans, with loan repayments used to pay the debt service. Because these are general obligation bonds, they constitute a state debt that required a two-thirds vote of the members of each house. Moreover, because money from the coal severance tax bond fund is pledged for debt service payments on the bonds, HB 8 also required a three-fourths vote of the members of each house, as directed by the Montana Constitution.

Figure 16 on the following page lists the loans awarded for the 2007 biennium. Total bond authority in HB 8 is \$7.2 million. Of this amount, \$4.9 million is appropriated for loans and \$.66 million is for loan reserve. HB 8 authorizes three new loans totaling \$185,000 and reauthorizes four loans, previously authorized by the 2003 Legislature, which total \$4.7 million. The funds for three of the seven loans will be used for dam rehabilitation; the four remaining loans will be used for community water and wastewater projects. Interest rates on the loans are subsidized at rates based on the borrowers' affordability. According to DNRC, approximately \$0.6 million of annual coal severance tax revenue is used to fund these subsidies.

Figure 16
Renewable Resource Program Loans
Project Authorizations - 2007 Biennium

| Loans-Sponsor/Project | Legislative Appropriation | Cumulative Total |
|--|------------------------------|---------------------|
| Section 1 | | |
| Group A Projects¹ (4.5% or State bond rate, whichever is lower-20 years) | | |
| Montana DNRC | | |
| Deadmans Basin Supply Canal Rehabilitation Project | \$55,000 | \$55,000 |
| Montana DNRC | | |
| Martinsdale North Dam Riprap Project | 90,000 | 145,000 |
| Cartersville Irrigation District | | |
| Sand Creek Siphon Rehabilitation Project | 40,000 | 185,000 |
| Section 2 | | |
| Group A Projects² (2.0% below long term bond rate for 1st 5 years, market rate for remaining 15 years) | | |
| Lockwood Water and Sewer District | | |
| Wastewater Collection and Treatment Works | 3,300,000 | 3,485,000 |
| Group B (2.25% 1st \$250,000, 0% for anything over \$500,000-20 years) | | |
| Lower Willow Creek Drainage District | | |
| Lower Willow Creek Dam Rehabilitation | 295,000 | 3,780,000 |
| Group C Projects (4.5% or State bond rate, whichever is lower-20 years) | | |
| Mill Creek Irrigation District | | |
| Mill Lake Dam Rehabilitation | 572,000 | 4,352,000 |
| Montana DNRC | | |
| North Fork of the Smith River Dam Rehabilitation | <u>557,000</u> | 4,909,000 |
| Total Loan Authorizations: | 4,909,000 | |
| Additional Loan Authorizations: | 1,669,422 | |
| Loan Reserve ³ : | <u>657,842</u> | |
| Total | <u>\$7,236,264</u> | |

¹ Section 1 projects meet the provisions of 17-5-702, MCA.

² Section 2 projects may not complete the requirements needed to obtain the loan funds prior to June 30, 2005

³ To finance loans in lieu of grants for grants recommended in HB 6

NOTE: Projects are grouped by differences in interest rates.

FUNDING - LOANS

RRGL program bond authority is provided in 85-1-624, MCA. In the 2003 legislative session, the legislature approved an increase in bonding authority, from \$20 million to \$30 million. Consequently, the department will have continuing ability to fund natural resource projects with bonded debt into the future. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA.

EXECUTIVE BUDGET COMPARISON

The legislature did not make changes to the executive recommendation.

OTHER LEGISLATION

SB 83

The Fifty-ninth Legislature passed SB 83, which makes alternative energy projects eligible for renewable resource grants and loans. Types of eligible projects are defined in 15-6-225, MCA and include but are not limited to:

- Solar energy
- Wind energy
- Geothermal energy
- Conversion of biomass
- Fuel cells that do not require hydrocarbon fuel

- Small hydroelectric generators producing less than 1 megawatt
- Methane from solid waste

This legislation essentially expands the functional description of the program, allowing new project types, unrelated to water, to be considered for grants and loans.

The renewable resource grant program received 63 grant requests for consideration in the 2007 biennium budget. From those requests, 47 projects were funded. Expansion of the types of projects that may be considered for grants and loans may create additional stresses on an already stretched budget. If the DNRC finds that many project requests are generated as a result of this new legislation, future legislatures may wish to/need to increase funding to the program.

SB 498

The Fifty-ninth Legislature passed SB 498, which temporarily amends 85-1-613, MCA, statutes applicable to the renewable resource grant and loan program, and does the following:

- Increases the limit for a loan to a private person that is not a water users' association or ditch company from \$200,000 to \$400,000 or 80% of the fair market value of the security given for the project
- Increases the allowable loan to a private person that is a water users' association or ditch company from the lesser of \$300,000 to the lesser of \$3 million or an amount representing the annual debt service on the loan that would exceed 80% of the annual net revenue of the system that would be pledged for payment of the loan

The legislation will allow qualified persons to obtain loans greater than had previously been approved in past biennia. The legislation has no effective date, so it will become effective October 1, 2005. The legislation terminates June 30, 2007.

HJ 36

The Fifty-ninth Legislature passed HJ 36 requesting an interim study of the laws and funding related to the RIT. The 2005 Legislature found that there is no centralized legislative oversight of the RIT accounts, which results in the appropriation of often the same funds in as many as three subcommittees. Additionally, the legislature determined that the laws regarding the flow of funding from the trust, taxes, and assessments are confusing and conflicting.

The study will address issues raised by the legislature in the funding of the renewable resource grant and loan program, as well as other RIT funded programs. The study proposes to do the following:

- Propose revisions to laws related to the resource indemnity trust
- Include input from the director of the Office of Budget and Program Planning and the directors of state agencies that would be affected by changes to the resource indemnity trust
- Examine funding priorities
- Examine possible uses of funds related to the resource indemnity trust
- Present the findings or conclusions for review by the Legislative Finance Committee
- Report to the Sixtieth Legislature the final results of the study, including any findings, conclusions, comments, or recommendations

For more information on the funding issues of the renewable resource grant and loan account, refer to the LFD Issue on page F30.

RECLAMATION AND DEVELOPMENT GRANT PROGRAM

PROGRAM DESCRIPTION

Resource indemnity trust (RIT) investment earnings are a major source of revenue for several natural resource agencies and programs, including: 1) the Renewable Resource Grant and Loan Program (RRGL); and 2) the Reclamation and Development Grant Program (RDGP). The Board of Investments invests funds deposited in the RIT and some of the investment earnings are used to fund the RRGL and RDGP. For more detailed information on the allocation and expenditure of other RIGWA proceeds and RIT interest earnings, see the Department of Natural Resources and Conservation (DNRC) summary in Section C of the LFD Fiscal Report, Volume 4.

The Reclamation and Development Grant Program (RDGP) is designed to fund projects that:

“..indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana” (90-2-1102, MCA).”

As provided in statute, projects approved under the RDGP are intended to:

- Repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction
- Develop and ensure the quality of public resources for the benefit of all Montana citizens

The RDGP is administered by DNRC, which solicits, evaluates, and ranks each application on a biennial basis. Those eligible to apply for grants include state and local governments, political subdivisions, and tribal governments. Applications are evaluated according to specific criteria related to:

- Public benefit
- Need and urgency
- Appropriateness of technical design
- Financial feasibility
- Project management/organization

DNRC forwards a list of recommendations to the executive, who reviews the list and submits funding recommendations to the legislature for appropriation.

LEGISLATIVE ACTION

Figure 17 on the following page lists the RDGP grants approved by the 2007 Legislature. The legislature appropriated \$4.9 million for approved reclamation and development grants. A total of 17 projects were approved to receive grant funds amounting to \$4.9 million. The legislature increased the funding for one project for DNRC, St. Mary Study and Design, to \$900,000. HB 7 provides that:

“Funds not accepted by grantees or funds not used by higher-ranked projects and activities must be provided for projects and activities lower on the priority list that otherwise would not receive funding.”

St. Mary's Project

The St. Mary Facilities, located on the Blackfeet Reservation and owned by the U.S. Bureau of Reclamation (USBR), transfer water from the St. Mary River to the Milk River basin. The facilities have been in operation for over 85 years with only minor repairs since initial construction. Most of the structures have exceeded their design life and are critically in need of major repairs or replacement. Much attention was drawn to the St. Mary situation during the 2005 legislative session and the legislature took numerous steps towards finding a solution to the problem. One step was to increase a grant requested by the DNRC from \$300,000 to \$900,000 in HB 7. These funds will be used as a match in seeking \$3.0 million in federal appropriations to evaluate the St. Mary facilities. The results of the evaluation will be a set of alternatives to upgrade the facilities for another 50 to 100 years of operation. More information on the St. Mary Facilities can be seen in the Legislative Fiscal Report, Volume 1.

Figure 17
Reclamation and Development Grants
Grant Authorizations - 2007 Biennium

| Rank | Sponsor/Title | Grant Requested | Grant Authorized | Cumulative |
|-------|---|--------------------|--------------------|------------|
| 1 | Board of Oil and Gas Conservation 2005 Eastern District Orphaned Well Plug & Abandonment & Site Restoration | \$300,000 | \$300,000 | \$300,000 |
| 2 | Board of Oil and Gas Conservation 2005 Northern District Orphaned Well Plug & Abandonment & Site Restoration | 300,000 | 300,000 | 600,000 |
| 3 | Department of Environmental Quality Bluebird Mine Reclamation | 300,000 | 300,000 | 900,000 |
| 4 | Department of Environmental Quality Frohner Mine Reclamation | 300,000 | 300,000 | 1,200,000 |
| 5 | Department of Environmental Quality Buckeye Mine & Millsite Reclamation | 300,000 | 300,000 | 1,500,000 |
| 6 | Lewistown, City of Reclamation of Brewery Flats on Big Spring Creek | 300,000 | 300,000 | 1,800,000 |
| 7 | MT Department of Natural Resources and Conservation St. Mary Studies and Design | 300,000 | 900,000 | 2,700,000 |
| 8 | Butte-Silver Bow Local Government Belmont Shaft Failure & Subsidence Mitigation | 300,000 | 300,000 | 3,000,000 |
| 9 | Pondera County Oil & Gas Well Plug & Abandon | 100,000 | 100,000 | 3,100,000 |
| 10 | Custer County CD Yellowstone River Resource Conservation Project | 299,965 | 299,965 | 3,399,965 |
| 11 | Sheridan County Conservation District Yellowstone River Resource Conservation Project | 50,000 | 50,000 | 3,449,965 |
| 12 | Teton County 2005 Plugging & Abandonment Aid to Small Independent Oil Operators | 300,000 | 150,000 | 3,599,965 |
| 13 | MT Department of Environmental Quality Zortman Mine - Completion of Reclamation Alternative Z6 | 300,000 | 300,000 | 3,899,965 |
| 14 | Butte-Silver Bow Local Government Excelsior Reclamation | 129,800 | 129,800 | 4,029,765 |
| 15 | Powell County Wetland Reclamation and Redevelopment | 212,950 | 240,850 | 4,270,615 |
| 16 | MT Department of Environmental Quality MTS Tire Recyclers Cleanup | 300,000 | 300,000 | 4,570,615 |
| 18 | Montana Department of Environmental Quality Former Harlem Equity Co-op Bulk Plant | 285,572 | 285,572 | 4,856,187 |
| Total | | <u>\$4,378,287</u> | <u>\$4,856,187</u> | |

FUNDING

Funding for the RDGP is established in 90-2-1104, MCA, with the creation of the reclamation and development grant state special revenue account. Deposits to this account are made from four revenue sources, including:

- Interest income of the resource indemnity trust fund under the provisions of 15-38-202, MCA (\$1.5 million each fiscal year for the purpose of making grants, plus 35% of the interest income remaining after all other statutory allocations)
- Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CIRCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- Metal mines license tax proceeds as provided in 15-37-117 (1)(d), MCA (7% of total collections each year for the purpose of making grants)
- Oil and gas production tax as provided in 15-36-331, MCA (2.95% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))

During the special session of August 2002, the legislature reduced many of the revenue flows into the RDGP account in FY 2003, some of which were carried through FY 2005. The reductions temporarily lowered the amount of money available for grants.

Appropriations from the account are authorized in 90-2-1104, MCA and state that appropriations may be made for grants and administrative expenses, including salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. Expenses may be funded before projects. The State Library Operation is funded with an additional appropriation of RIT interest that is deposited in the reclamation and development state special revenue account. Total administrative costs appropriated from the account are \$2.5 million. The 2005 Legislature appropriated \$4.9 million for grants in the 2005 biennium. The estimated fund balance for June 30, 2007 is \$118,064.

| Figure 18 | |
|---|--------------|
| Reclamation and Development State Special Revenue Account (02458) | |
| Fund Balance Projection - 2007 Biennium | |
| Estimated Beginning Fund Balance-(7/1/2005) | \$1,847,688 |
| Revenue Projections ¹ | |
| Resource Indemnity Trust Interest | 3,000,000 |
| Resource Indemnity Trust Interest - Additional | 1,206,800 |
| Resource Indemnity and Ground Water Assessment Tax | 630,000 |
| Metal Mines Tax | 1,311,000 |
| Oil and Gas Production Tax | 4,147,376 |
| 2007 Biennium Revenues | 10,295,176 |
| 2007 Biennium Funds Available | \$12,142,864 |
| Biennial Expenditures ² | |
| Conservation and Resource Development Div. - DNRC | (2,276,433) |
| DNRC Centralized Services | (12,000) |
| Water Resources Division - DNRC | (254,832) |
| Central Management - DEQ | (88,378) |
| Enforcement - DEQ | (9,648) |
| Permitting and Compliance - DEQ | (3,243,521) |
| State Library Operations - Library Commission (NRIS) | (782,872) |
| Transfer to Renewable Resource Grant and Loan Program | (400,000) |
| Transfer to ECA | (57,116) |
| Total Appropriated Expenditures | (7,124,800) |
| Balance Available for Grants | \$5,018,064 |
| Grants Authorized in HB 7 | 4,900,000 |
| June 30, 2007 Projected Ending Fund Balance: | \$118,064 |

¹HJR 2 recommendations

²HB 2 appropriations

Past legislatures have violated statute, 90-2-1104, MCA, by using funds in the reclamation and development grant account for purposes other than the administration of the grant program and grants. As knowledge of improper account use came to light in the Fifty-ninth Legislature, actions were taken to remedy the situation.

In years of funding shortages, the legislature began using the funds in the reclamation and development grant account for other purposes, and that practice has persisted. The original purpose of the account was to fund the costs of reclamation and development grant program. Examples of the misuse are apparent in Figure 18. The appropriation of dollars for DEQ-Central Management, Library Commission, State Library Operations, DEQ-Remediation, and others are not allowed under current permanent statute, which says:

3) Appropriations may be made from the reclamation and development grants account for the following purposes:

- a) grants for designated projects; and
- b) administrative expenses, including salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. These expenses may be funded before funding of projects.

Two actions were taken to remedy the situation. First, for the 2007 biennium only, HB 7 included a change to 90-2-1104, MCA. The change will allow the account funds to be used for administrative costs of other resource programs. Second, because misuse of account funds occur in many of the RIT interest accounts, the legislature requested in HJ 36 that an interim committee conduct a study of the RIT accounts and make recommendations to the Sixtieth Legislature on ways to remedy the problems. For more information concerning this study refer to the Legislative Fiscal Report, section C.

EXECUTIVE BUDGET COMPARISON

The Fifty-ninth Legislature made two changes in HB 7 that increased the executive proposal. First, the legislature increased funding for the DNRC, St. Mary studies and design, project from the recommended \$300,000 funding level to \$900,000. Next, the legislature funded the Montana Department of Environmental Quality, former Harlem Equity co-op bulk plant, project at the requested level of \$285,572. These two actions increased the executive budget by approximately \$900,000.

Other Legislation

HJ 36

The Fifty-ninth Legislature passed HJ 36 requesting an interim study of the laws and funding related to the RIT. The 2005 Legislature found that there is no centralized legislative oversight of the RIT accounts, which results in the appropriation of often the same funds in as many as three subcommittees. Additionally, the legislature determined that the laws regarding the flow of funding from the trust, taxes, and assessments are confusing and conflicting.

The study will address issues raised by the legislature in the funding of the reclamation and development grant program, as well as other RIT funded programs. The study proposes to do the following:

- Propose revisions to laws related to the resource indemnity trust
- Include input from the director of the Office of Budget and Program Planning and the directors of state agencies that would be affected by changes to the resource indemnity trust
- Examine funding priorities
- Examine possible uses of funds related to the resource indemnity trust
- Present the findings or conclusions for review by the Legislative Finance Committee
- Report to the Sixtieth Legislature the final results of the study, including any findings, conclusions, comments, or recommendations

For more information on the funding issues of the reclamation and development grant account, refer to the LFD Issue above.

CULTURAL AND AESTHETIC GRANT PROGRAM

PROGRAM DESCRIPTION

The Cultural and Aesthetic Grant Program, administered by the Montana Arts Council (MAC), is funded by investment earnings from a statutory trust. The trust receives 0.63 percent of coal severance tax revenues. By statute, the interest from the cultural trust is to be appropriated for protection of works of art in the State Capitol and other cultural and aesthetic (C&A) projects (15-35-108, MCA). Legislation passed by the Fifty-fifth Legislature resulted in a number of changes to the amount and use of the revenue the C&A project account receives. A discussion of these changes is provided below under "Funding."

Grant applications for cultural and aesthetic projects are submitted to the MAC on a biennial basis. Eligible applicants include the state of Montana and regional, county, city, town, or Indian tribal governments. A 16-member Cultural and Aesthetic Projects Advisory Committee, with eight members appointed by the MAC and eight appointed by the Montana Historical Society (MHS), reviews each application. The committee prioritizes the requests and makes funding recommendations to the legislature as part of the executive budget. Grants require legislative approval according to Title 22, Chapter 2, part 3, MCA.

Figure 19 provides an historic perspective of the Cultural and Aesthetic Grant Program. Funding of the projects is from the C&A interest account and general fund, unless otherwise noted.

SUMMARY OF LEGISLATIVE ACTION

The legislature passed a one-time general fund transfer of \$3,412,500 to the Cultural Trust in HB 9 in the 2007 biennium. This action was taken to replace corpus taken from the purchase of Virginia and Nevada Cities. The legislature approved all but \$500,000 of the original corpus reduction of 1997. Because the trust was not fully reimbursed, interest earnings will not be sufficient to fund the grant program at pre-purchase levels. At the recommendation of the executive, the legislature approved a general fund transfer of \$100,275, appropriated in HB 2, to bolster the funds available for making grants. Because the entire amount of the 1997 corpus reduction was not returned to the trust in the 2007 biennium, continued support of some form will be necessary in future biennia.

As passed by the 2005 Legislature, HB 9 appropriates Cultural Trust interest earnings deposited into the C&A project account for two specific purposes. The first priority funding is a \$30,000 appropriation to the MHS for the care and conservation of Capitol Complex artwork in accordance with 5-11-115, MCA. The second priority is for 84 C&A grant awards totaling \$792,925. These awards are listed, in priority order, in Figure 22.

The legislature made one minor change in HB 9 that will effect the method previously used to reduce grants on a pro rata basis if actual funds are not sufficient to pay the total grant awards. The language change allows the department to proportionally reduce only those grants greater than \$4,500 when necessary. As a result, smaller grant recipients will not experience hardships resulting from lower than expected funding.

Figure 19
Cultural and Aesthetic Grant Program
Grant Awards by Biennium

| Biennium | Funds Appropriated | General Fund Appropriated | Funds Expended | Number of Projects Funded |
|----------|--------------------|---------------------------|----------------|---------------------------|
| 1979 | \$50,000 | | \$50,000 | 1 |
| 1981 | 140,000 | | 140,000 | 3 |
| 1983 | 641,680 | | 602,042 | 15 |
| 1985 | 823,479 | | 810,704 | 39 |
| 1987 | 1,476,511 | | 1,414,114 | 63 |
| 1989 | 1,211,817 | | 1,099,290 | 53 |
| 1991 | 1,298,788 | | 1,184,661 | 65 |
| 1993 | 1,551,323 | | 1,531,239 | 88 |
| 1995 | 1,706,735 | | 1,267,952 | 93 |
| 1997 | 857,926 | | 852,003 | 77 |
| 1999 | 1,489,453 | | 1,416,787 | 79 |
| 2001 | 634,939 | 600,000 | 1,163,905 | 76 |
| 2003 | 705,425 | 532,575 ¹ | 1,176,602 | 74 |
| 2005 | 659,000 | 499,150 | 1,135,473 Est. | 81 |
| 2007 | 1,201,295 | 100,275 ² | N/A | 83 |

¹ \$198,575 of general fund support replaced with lodging facility tax in fiscal 2003.

² Appropriated in HB 2

Figure 20
Cultural and Aesthetic Grant Program
Grant Authorizations - 2007 Biennium

| Grant No. | Organization Name | Grant Authorized | Grant Cumulative Total | Grant No. | Organization Name | Grant Authorized | Grant Cumulative Total |
|------------------------------------|---|------------------|------------------------|----------------------------|---------------------------------------|------------------|------------------------|
| Special Project < \$4500 | | | | | | | |
| 1105 | Miles City Speakers Bureau | \$4,500 | \$4,500 | 1163 | Montana Agricultural Center & Museum | 17,000 | 370,895 |
| 1108 | Preservation Cascade, Inc | 3,000 | 7,500 | 1162 | Missoula Children's Theatre, Inc. | 30,000 | 400,895 |
| 1102 | Council for the Arts, Lincoln | 2,500 | 10,000 | 1149 | Carbon County Historical Society | 15,500 | 416,395 |
| 1107 | Montana Storytelling Roundup | 4,500 | 14,500 | 1183 | Writer's Voice (Billings YMCA) | 17,600 | 433,995 |
| 1101 | Butte Citizens for Pres & Revitalization | 4,500 | 19,000 | 1155 | Great Falls Symphony Assoc | 14,100 | 448,095 |
| 1109 | Signatures from Big Sky | 4,500 | 23,500 | 1142 | Art Mobile of Montana | 10,600 | 458,695 |
| 1103 | Fort Wm H Harrison Museum Fdn | 3,000 | 26,500 | 1159 | Holler Museum of Art | 21,200 | 479,895 |
| 1104 | Metropolitan Opera National Council | 1,000 | 27,500 | 1145 | Billings Symphony Society | 13,400 | 493,295 |
| 1106 | Montana Mandolin Society | 2,000 | 29,500 | 1140 | Alberta Bar Theater | 17,600 | 510,895 |
| 1110 | Wibaux County Visioning Committee | 3,550 | 33,050 | 1176 | Schoolhouse History & Art Center | 10,600 | 521,495 |
| Special Project > \$4500 | | | | | | | |
| 1126 | Montana Committee for the Humanities | 31,798 | 64,848 | 1181 | Western Heritage Center | 14,100 | 535,595 |
| 1129 | Montana Preservation Alliance | 17,600 | 82,448 | 1143 | Big Horn Arts and Crafts Assoc | 10,600 | 546,195 |
| 1117 | Emerson Cultural Center | 10,600 | 93,048 | 1182 | Whitefish Theatre Company | 10,600 | 556,795 |
| 1133 | Prairie County Museum/Montana Hist. Society | 16,700 | 109,748 | 1157 | Helena Symphony Orchestra and Chorale | 14,100 | 570,895 |
| 1123 | Missoula Art Museum | 14,100 | 123,848 | 1146 | Butte Center for the Performing Arts | 17,600 | 588,495 |
| 1132 | Pondera Arts Council | 13,400 | 137,248 | 1154 | Grandstreet Theatre | 10,600 | 613,195 |
| 1112 | Bozeman Symphony Society | 9,900 | 147,148 | 1173 | Myria Loy Center | 14,100 | 627,295 |
| 1134 | Rimrock Opera Company | 7,100 | 154,248 | 1184 | Yellowstone Art Museum | 18,300 | 645,595 |
| 1124 | Missoula Symphony Association | 4,500 | 158,748 | 1171 | Montana Repertory Theatre | 10,600 | 656,195 |
| 1135 | Southwest Montana Arts Council | 6,300 | 165,048 | 1168 | Montana Ballet Company | 8,500 | 664,695 |
| 1127 | Montana Historical Society | 14,100 | 179,148 | 1158 | Hockaday Museum of Art | 8,500 | 673,195 |
| 1137 | VIA's, Inc | 12,000 | 191,148 | 1165 | Montana Artists Refuge | 4,500 | 677,695 |
| 1120 | International Choral Festival | 3,500 | 194,648 | 1172 | Museum of the Rockies | 7,100 | 684,795 |
| 1121 | KUFM-TV, Montana PBS | 10,600 | 205,248 | 1175 | Rocky Mountain Ballet Theater | 7,100 | 691,895 |
| 1138 | World Museum of Mining | 1,447 | 206,695 | 1180 | VSA arts of Montana | 7,100 | 698,995 |
| 1122 | Mission Valley Friends of the Arts | 4,000 | 210,695 | 1185 | Young Audiences of Western MT | 5,600 | 704,595 |
| 1111 | Artisan Dance Theatre | 14,100 | 224,795 | 1179 | Vigilante Theatre Company | 6,300 | 710,895 |
| 1136 | St Vincent Health Care Foundation | 4,500 | 229,295 | 1147 | Butte Symphony Association | 7,100 | 717,995 |
| 1125 | Montana Alliance for Arts Ed | 4,500 | 233,795 | 1160 | Intermountain Opera | 8,500 | 726,495 |
| 1128 | Montana Museum of Art & Culture | 3,500 | 237,295 | 1151 | District 7 HRDC Growth Thru Art | 10,600 | 737,095 |
| 1115 | Children's Museum of Montana | 6,200 | 243,495 | 1156 | Hamilton Players, Inc | 7,100 | 744,195 |
| 1114 | Chantilly Players | 5,600 | 249,095 | 1148 | Carbon County Arts Guild & Depot | 6,400 | 750,595 |
| 1130 | Natl Museum of Forest Service History | 2,500 | 251,595 | 1174 | Northwest Montana Historical Society | 4,500 | 755,095 |
| 1113 | Browning Community Development Corp | 9,000 | 260,595 | 1161 | Miles City Preservation Comm | 3,000 | 758,095 |
| Operational Support | | | | | | | |
| 1164 | Montana Art Gallery Director's Assoc | 14,100 | 274,695 | 1178 | Sunburst Community Foundation | 5,300 | 763,395 |
| 1170 | Montana Performing Arts Consortium | 17,600 | 292,295 | 1144 | Billings Cultural Partners | 2,000 | 765,395 |
| 1167 | Montana Assoc of Symphony Orchestras | 6,300 | 298,595 | Capital Expenditure | | | |
| 1166 | Montana Arts | 10,600 | 309,195 | 1188 | Liberty Village Arts Center & Gallery | 12,300 | 777,695 |
| 1169 | Montana Dance Arts Association | 4,500 | 313,695 | 1189 | Meagher County Historical Association | 4,500 | 782,195 |
| 1177 | Shakespeare in the Parks | 17,600 | 331,295 | 1190 | St Labre Indian School & Museum | 3,730 | 785,925 |
| 1150 | Custer County Art Center | 22,600 | 353,895 | 1186 | Friends of the Madison Valley Library | 4,500 | 790,425 |
| | | | | 1187 | Lewistown Art Center | 2,500 | 792,925 |
| | | | | Total | | | |
| | | | | | | | <u>\$792,925</u> |

EXECUTIVE BUDGET COMPARISON

The executive recommended funding 85 projects at a total cost of \$770,553, plus \$30,000 for Capitol Mural Restoration. Program administration costs of \$333,680 are appropriated in HB 2 to the Montana Arts Council. The legislature increased the funding level of 9 projects, added new funding for one project, and removed the funding of two projects, when compared to the executive recommendation. The two projects removed from the list had voluntarily requested removal of their grant request. In the event that C&A trust fund interest revenue falls short of the estimates, HB 9 provides a process for reducing grant amounts:

“if money in the cultural and aesthetic projects account is insufficient to fund projects at the appropriation levels ... reductions to projects with funding greater than \$4,500 will be made on a pro rata basis.”

FUNDING

Prior to the 1997 legislative session, the C&A Grant Program was funded entirely with interest earnings from the cultural trust fund. However, the 1997 Legislature appropriated \$3.9 million, approximately half of the trust corpus, to help fund the purchase of Virginia City and Nevada City properties.

To compensate for the lost interest earnings resulting from the reduced corpus, the 1997 Legislature allocated 0.87 percent of coal severance tax revenue to the C&A project account for the 1999 biennium only, an increase of 0.24 percent from the previous allocation of 0.63 percent. Beginning in FY 2000, 15-35-108, MCA, provides that 0.63 percent of coal severance tax income will again flow into the trust. The remaining 0.24 percent of coal severance taxes allocated to the C&A project account for the 1999 biennium, was previously part of the flow into the general fund. Beginning in FY 2000, this amount was once again statutorily allocated to the general fund. Since, the only funding for the C&A grants program provided for in statute is the interest income from the cultural trust.

In fiscal 2002, two actions were taken to increase revenues to the general fund. First, the C&A project grants were reduced by \$25,000. Next, the distribution from the coal severance tax was diverted out of the Cultural Trust and into the general fund. The elimination of the flow caused a reduction in interest available for fiscal 2003 by approximately \$6,000. Additionally, during the special session of August 2002, general fund support of \$198,575 in the fiscal 2003 was replaced with lodging facility use tax revenue. The aggregate effect of these actions was a shortfall in revenues to support the C&A grants.

Figure 21 shows the estimated funding for the Cultural & Aesthetic project account for the 2007 biennium. The beginning fund balance is estimated to be zero because revenues are projected to be less than total appropriations in the 2005 biennium. Interest income from the coal tax-funded Cultural Trust is projected to be \$1,053,404 for the 2007 biennium. In the 2007 biennium, interest earnings of the trust were again supplemented with a general fund one-time transfer of \$100,275. The initial recommendation included in the executive budget was a supplement of \$40,000, but was increased to \$100,275 when the legislature agreed to a reduction of the corpus reimbursement.

Projected expenditures are from HB 2, general appropriations act, and the C&A grants. As previously

| Figure 21 Cultural & Aesthetic Special Revenue Account (02009) Fund Balance Projection - 2007 Biennium | |
|---|-----------|
| Estimated Beginning Fund Balance-(7/1/2005) | \$0 |
| Revenue Projections ¹ | |
| 2006 Investment Earnings | 515,075 |
| 2007 Investment Earnings | 538,329 |
| General Fund Transfer ² | 100,275 |
| 2007 Biennium Funds Available | 1,153,679 |
| Biennial Expenditures | |
| Administration and Folklife | (378,370) |
| Capitol Complex Works of Art | (30,000) |
| Total Appropriated Expenditures | (408,370) |
| Balance Available for Grants | 745,309 |
| Grants Authorized in HB 9 | (792,925) |
| June 30, 2007 Projected Ending Fund Balance: | (47,616) |

¹ Includes interest earned on the one-time general fund transfer of \$3,412,500

² Appropriated in HB 2 to augment administrative program costs

noted, the first priority in HB 9 is the \$30,000 appropriation to the MHS for the care and conservation of the Capitol Complex artwork. Figure 23 above also shows expenditures from the C&A project account of \$378,370 for Administration and Folklife. This appropriation is made to MAC in HB 2, and the amount is based on the estimated costs that Montana Arts Counsel incurs to administer the C&A Grant Program and the Montana Folklife Program.

Funding changes and pay plan increases in the final days of the 2005 legislative session resulted in a negative projected ending fund balance of \$47,616 for the cultural and aesthetic grant account. Consequently, grant awards greater than \$4,500 will experience pro-rata reductions unless interest rates are greater than projected in HJR 2.

GLOSSARY / INDEX



Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

Biennial – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium.

Budget amendment – See “Budget Amendment” below.

Continuing – An appropriation that continues beyond one biennium.

Language – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.

Line Item – An appropriation made for a specific purpose and which cannot be used for any other purpose. Line item appropriations highlight certain appropriations and ensure that they can be separately tracked on the state accounting system.

One-time – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.

Restricted – An appropriation designated for a specific purpose or function.

Statutory – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.

Temporary - An appropriation authorized by the legislature in the general appropriations act or in a “cat and dog” bill that is valid only for the biennium.

Appropriation Transfers (also see “Supplemental Appropriation”) – The transfer of funds appropriated for the second year of the biennium to the first if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- the Governor or his/her designated representative for executive branch agencies
- the Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies

- the Speaker of the House of Representatives for the House;
- the President of the Senate for the Senate
- the appropriate standing legislative committees or designated representative for the legislative branch divisions; and
- the Board of Regents of Higher Education or their designated representative for the university system.

Average Daily Population (ADP) – The population measure used to calculate population in the Montana correctional system. ADP is equivalent to one inmate incarcerated for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. Fiscal year 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services.).

FTE – Full-Time Equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period.

Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity who will perform a service.

HB 2 –The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

Capital projects fund – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

Fiduciary funds – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services –Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a “snapshot” of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

Enterprise funds – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.

Internal service funds – Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state’s accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

Acronyms

Acronyms are used to denote agencies, programs, and common terms. The following list includes some of the most common.

AES – Agricultural Experiment Station(s)
ADP – Average Daily Population (institutions)
ANB – Average Number Belonging (K-12 education)
ARM – Administrative Rules of Montana
BASE Aid – Base Amount for School Equity Aid
BPE - Board of Public Education
C&A – Cultural and Aesthetic (Trust)
CC - Community Colleges
CES - Cooperative Extension Service
CHE - Commissioner of Higher Education
CHIP – Children’s Health Insurance Program (also SCHIP)
CIO – Chief Information Officer
COPP - Commissioner of Political Practices
COT - College of Technology, followed by campus designation
CPI – Consumer Price Index
DEQ – Department of Environmental Quality
DMA – Department of Military Affairs
DNRC – Department of Natural Resources and Conservation
DOA – Department of Administration
DOA – Department of Agriculture
DOC –Department of Commerce (see Corrections)
DOC – Department of Corrections (see Commerce)
DOJ – Department of Justice
DOLI – Department of Labor and Industry
DOR – Department of Revenue
DP – Decision Package
DPHHS – Department of Public Health and Human Services
FCES - Forestry and Conservation Experiment Station
FMAP – Federal Medical Assistance Participation rate (Medicaid)
FSR – Federal Special Revenue
FSTS - Fire Services Training School
FTE – Full-Time Equivalent
FWP – Department of Fish, Wildlife, and Parks
FFY – Federal Fiscal Year
FY – Fiscal Year
FYE - Fiscal Year End
GAAP – Generally Accepted Accounting Principles
GF – General Fund
GSL – Guaranteed Student Loan
GTB – Guaranteed Tax Base
HAC – House Appropriations Committee
HSRA – Highways Special Revenue Account

I&I – Interest and Income
IRIS – Integrated Revenue Information System
IT – Information Technology
ITSD - Information Technology Services Division
LAD - Legislative Audit Division
LEPO - Legislative Environmental Policy Office
LFA – Legislative Fiscal Analyst
LFC – Legislative Finance Committee
LFD - Legislative Fiscal Division
LRBP - Long Range Building Program
LRP – Long Range Planning
LSD - Legislative Services Division
MAC - Montana Arts Council
MBARS – Montana Budgeting, Analysis, and Reporting System
MBCC – Montana Board of Crime Control
MBMG – Montana Bureau of Mines and Geology
MCA – Montana Code Annotated
MCHA – Montana Comprehensive Health Association
MDT – Montana Department of Transportation
MHP - Montana Highway Patrol
MHS - Montana Historical Society
MSDB – Montana School for the Deaf and Blind
MSF – Montana State Fund
MSL - Montana State Library
MSU - Montana State University, followed by campus designation i.e. MSU – Bozeman
MUS - Montana University System
NP – New Proposal
OBPP - Office of Budget and Program Planning
OCHE – Office of the Commissioner of Higher Education
OPI - Office of Public Instruction
PERS - Public Employees Retirement System
PL – Present Law
POINTS – Process Oriented Integrated Tax System
PSC - Public Service Commission
RIGWA – Resource Indemnity and Groundwater Assessment Tax
RIT – Resource Indemnity Trust
SABHRS – Statewide Accounting, Budgeting, and Human Resources System
SAO - State Auditor’s Office
SF&C –Senate Finance and Claims Committee
SOS - Secretary of State
SSR - State Special Revenue
TANF - Temporary Assistance for Needy Families
TEA – 21 – Transportation Equity Act for the 21st Century
TRS – Teachers’ Retirement System
TSEP - Treasure State Endowment Program
UM - University of Montana, followed by campus designation i.e. UM – Missoula

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